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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in IR Resources Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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### **IR Resources Limited** **同仁資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

### **CONNECTED TRANSACTION – ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

**Ample Capital Limited**

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Capitalised terms used in this cover shall have the meaning as those defined in this circular.

A letter from the Board to the Shareholders is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 13 to 14. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 40.

A notice convening the SGM to be held at Suites 2701–08, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong at 3:30 p.m., on Friday, 17 July 2020 is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular and published on the websites of GEM at [www.hkgem.com](http://www.hkgem.com) and the Company at [www.irresources.com.hk](http://www.irresources.com.hk).

Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the principal place of business of the Company in Hong Kong at 26th Floor, Times Tower, 391–407 Jaffe Road, Causeway Bay, Hong Kong and/or the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd. at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed revoked.

*This circular will remain on the “Latest Company Announcements” page of the GEM website for seven days from the date of its publication.*

19 June 2020

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Board”	the board of Directors
“Company”	IR Resources Limited, a company incorporated in Bermuda with limited liability and its issued shares are listed on GEM of the Stock Exchange
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Ample Capital”	Ample Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Shareholders”	the Shareholders other than those who are required to abstain under the GEM Listing Rules from voting at the SGM for the resolution approving the Subscription Agreement and transactions contemplated thereunder
“Latest Practicable Date”	15 June 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Ms. He”	Ms. He Lamei, the sole shareholder of the Subscriber
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Shares

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Power China International Corporation, a company incorporated in Anguilla with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber
“Subscription Agreement”	the subscription agreement dated 28 April 2020 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.07 per Subscription Share
“Subscription Shares”	59,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### **IR Resources Limited** **同仁資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

*Executive Directors:*

HE Xuemei (*Chairperson*)  
CHAN Ching Hang

*Non-executive Director:*

HE Lamei

*Independent non-executive Directors:*

PANG King Sze, Rufina  
CHEUNG Yin Keung  
HONG Bingxian  
HUANG Zhe

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM10  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

26th Floor, Times Tower  
391–407 Jaffe Road  
Causeway Bay, Hong Kong

19 June 2020

*To the Shareholders*

Dear Madam or Sir,

**CONNECTED TRANSACTION –  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

The purpose of this circular is to provide you with information relating to (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the information as required under the GEM Listing Rules; and (v) the notice of the SGM.

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AGREEMENT

On 28 April 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, the principal terms of which are set out below.

**Date:**

28 April 2020 (after trading hours)

**Parties:**

- (i) The Company as the issuer; and
- (ii) The Subscriber as the subscriber.

The Subscriber is wholly owned by Ms. He, who is a non-executive Director and the sibling of Ms. He Xuemei, the chairperson of the Board and an executive Director. Therefore, the Subscriber is a connected person of the Company. The appointment of Ms. He Xuemei as a Director was approved by the nomination committee and the Board upon nomination by Ms. He. Ms. He is currently interested in 29% of Wright Global Limited and 22.5% of Prosper Dynamic Enterprises Limited, which are the subsidiaries of the Company engaged in the forestry and agricultural business and accounted for 98.5% and 89.3% of the Group's revenue and gross profit for the year ended 31 December 2019 respectively. Ms. He was a subscriber in the Group's forestry and agricultural business in 2016. The undertakings (other than the profit guarantee) made by Ms. He and other subscribers have been complied with. As disclosed in the annual reports of the Company for the years ended 31 December 2017 and 2018, the Group, in view of the circumstantial factors and the subscribers' effort, has decided to continue to work with the subscribers for the development of the forestry and agricultural business.

### The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price.

Assuming that there is no change in the number of issued Shares from the Latest Practicable Date and up to completion of the Subscription, the Subscription Shares represent (i) approximately 40.57% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 28.86% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares. Based on the closing price of HK\$0.115 of the Shares as at the date of the Subscription Agreement, the Subscription Shares have a market value of approximately HK\$6.8 million and a nominal value of HK\$590,000. The Subscription Shares will rank *pari passu* in all respects among themselves and with other Shares in issue on the date of allotment and issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### **The Subscription Price**

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to (i) the trend of the market price and the trading volume of the Shares; (ii) the continuing loss-making situation of the Group; and (iii) the Group's consolidated net asset value per share attributable to shareholders, and represented:

- (i) a discount of approximately 39.1% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 41.7% to the average closing price of HK\$0.120 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 33.3% to the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 18.6% over the audited consolidated net asset value per Share of the Group attributable to the shareholders of HK\$0.059 as at 31 December 2019.

The gross proceeds and the estimated net proceeds from the Subscription will amount to approximately HK\$4.13 million and HK\$3.9 million respectively. The net price per Subscription Share is estimated to be HK\$0.066.

### **Conditions of the Subscription Agreement**

Completion of the Subscription is conditional upon:

- (a) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares;
- (b) the passing of the relevant resolution by way of poll at the SGM by the Independent Shareholders for approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares);
- (c) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to completion of the Subscription and there being no indication received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after completion of the Subscription;



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## LETTER FROM THE BOARD

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- (d) the warranties given by the Company and the Subscriber under the Subscription Agreement remaining true, accurate in all material respects from the date of the Subscription Agreement up to and including the date of completion of the Subscription;
- (e) the Company having obtained all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement (i.e. the Board approving and authorising the execution and completion of the Subscription Agreement and the allotment and issue of the Subscription Shares); and
- (f) the Subscriber having obtained all necessary consents and approvals as may be required to be obtained on the part of the Subscriber in respect of the Subscription and the transactions contemplated under the Subscription Agreement (i.e. the board of directors of the Subscriber approving and authorising the execution and completion of the Subscription Agreement and the subscription of the Subscription Shares).

Conditions (a), (b), (c), (e) and (f) are not waivable by the Company and the Subscriber. The Company may waive condition (d) in respect of the warranties given by the Subscriber and the Subscriber may waive condition (d) in respect of warranties given by the Company. In the event that any of the conditions not being fulfilled or waived (as the case may be) in full by 31 July 2020 (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches thereof.

Completion of the Subscription will take place on or before the fifth business day (or such later date as agreed between the Company and the Subscriber) after the fulfilment or waiver (as the case may be) of the conditions as set out above.

### **Listing Application**

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

### **Specific Mandate**

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

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## LETTER FROM THE BOARD

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### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change in the number of Shares from the Latest Practicable Date up to completion of the Subscription, the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Subscription is set out as below:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Subscription</b>	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Mega Trillion International Corporation	20,775,000	14.28%	20,775,000	10.16%
Bank of Communications Trustee Limited	20,757,500	14.27%	20,757,500	10.15%
Million Pacific Holdings Corporation	20,387,701	14.02%	20,387,701	9.97%
The Subscriber	–	–	59,000,000	28.86%
Public Shareholders	83,519,950	57.43%	83,519,950	40.86%
Total	<u>145,440,151</u>	<u>100.00%</u>	<u>204,440,151</u>	<u>100.00%</u>

### REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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

Since the beginning of 2020, trade policy uncertainty, geopolitical tension, protectionist sentiments, together with the global outbreak and spread of the coronavirus, have resulted in extremely high uncertainty to the global economy and unprecedented volatility of the global financial markets. According to the report published by the World Bank in March 2020, growth in China's economy in 2020 was projected to substantially slow down to 2.3% in the baseline scenario or as low as 0.1% in the lower-case scenario, compared to its growth of 6.1% in 2019. In April 2020, the International Monetary Fund (the "IMF") also predicted the global economy to contract by 3% this year and described the global decline as the worst since the Great Depression of the 1930s (which was supplemented by its chairperson in May 2020 that it is more than that because it is a combination of a health crisis and an economic shock with an emphasis that it is truly global and this is the worst crisis). With the warning that outcomes could be far worse, depending on the course of the pandemic, the IMF made further adjustment in May 2020 that the recent economic data for many countries had been coming in below the IMF's already pessimistic forecast of a 3% contraction in economy in 2020. As described in the annual report of the Company for the year ended 31 December 2019, the Group has been unavoidably

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## LETTER FROM THE BOARD

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impacted by the Sino-United States trade war and the spread of the coronavirus which had led to worldwide closure of borders and caused massive disruption to the global supply chains.

The Company, after considering various fund raising methods, was of the view that under the prevailing market conditions, the Subscription would be a secured and cost-effective fund raising means among all the alternative fund raising means available to it. Given that the Group has been loss-making and does not have assets which are generally acceptable to financiers for pledge purpose, debt financing has not been a plausible means for the Group to obtain long term funding in the past years. In addition, the Company, after attempt to solicit interests from two financial institutions in or around March 2020 with equity fund raising proposals similar to the Subscription, was given to understand that fund raising by way of placing of new Shares to independent investors would not be a viable means without setting a placing price at a discount to both the market price of the Shares and the consolidated net asset value of the Group (resulting in a greater dilution impact to the existing Shareholders at a fund raising size similar to or even smaller than the Subscription). It was noted that the average daily trading volume of 104,000 Shares since the beginning of 2020 and up to the date of the Subscription Agreement represented only 0.18% of the number of the Subscription Shares and the current extremely high volatility of the worldwide financial markets might lead to further fluctuation of the trading price and depressing trading volume of the Shares. The Company had also assessed the possibility of raising fund from existing Shareholders by way of rights issue or open offer; however, given (i) the lack of interest of the Shareholders and potential investors in the Shares as evidenced by the historical downward trend of the price and the thin trading volume of the Shares; and (ii) the much longer time frame between the rights issue or open offer information being made public and firm commitment of the participating Shareholders in a stock market currently characterised by frequent and extremely high fluctuations resulted from external factors, the Company considered rights issue or open offer, being subject to even higher uncertainty under the current market conditions, not a plausible means.

In determining the Subscription Price, the Company has considered commonly adopted valuation methodologies (e.g. discounted cashflow model). However, these methodologies would require management projection of a company's future income and assessment to the macroeconomic environment (both domestic and worldwide) with assumptions dependent on the status of the economy and the unforeseen obstacles. On one hand, the global business conditions as mentioned above has made it impossible for the Company to be in a position to arrive at a meaningful projection of its future income. On the other hand, the pandemic has essentially changed the global economic and financial landscape to make reliable assessment to the macro economic environment very difficult. The chairperson of the IMF also admitted in May 2020 that it is the unknown behaviour of the coronavirus that has been clouding the horizon for projections. Accordingly, the Company was of the view that income based valuation methodologies would not be reliable at this juncture. Reference has been made to the downward trend of the price of the Shares (having decreased from its highest price of HK\$0.345 to HK\$0.115 as at the date of the Subscription Agreement) and the thin trading volume of the Shares (with average daily trading volume of only 104,000 Shares, representing 0.12% of the total number of Shares in public hands and indicating the disinterest of the investing public in the Shares) since the beginning of 2020 and up to the date of the Subscription Agreement. The

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## LETTER FROM THE BOARD

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Company also noted that there had been significant fluctuations in the price of the Shares in the past 12 months, particularly the price of the Shares reached its yearly high of HK\$1.19 on 8 August 2019 and immediately dropped by 51% to HK\$0.58 on the second trading day and further dropped by 31% to HK\$0.395 on the third trading day i.e. a surge of 100% (or HK\$0.48) from HK\$0.52 to HK\$1 on 29 July 2019 in one single trading day followed by a drop of 67% (or HK\$0.795) in two consecutive trading days on 8 and 12 August 2019 and then the price of the Shares has been on a downward trend with occasional instances of surge. The Company further noted that Subscription Price represented a discount of 94% to the above yearly high of the price of the Shares. However, the Company considered that the above high prices of the Shares were only snapshots and the occasional significant surges in the price of the Shares were not consistent with the market and the financial performance and business development of the Company and, therefore, were speculative in nature. The Company has also made reference to companies which are listed on the Stock Exchange and engaged in forestry business and noted that all of these companies had been in continuing loss-making situation in their forestry businesses similar to the Group and trading at substantial discount to their net asset value as at the date of the Subscription Agreement. (Please refer to the Letter from the Independent Financial Adviser for details.) As a result, the Company and the Subscriber did not consider the price of the Shares, which had not been in line with those of the above-mentioned forestry companies and had been trading at a substantial premium to net asset value, a good benchmark to determine the Subscription Price. Given the above, the Board considered it in the interest of the Company to use its net asset value as at 31 December 2019, which represented the true and fair view of the net worth of the Shares, as a fair and reasonable basis to negotiate with the Subscriber to determine the Subscription Price. The Company noted that there had been substantial reduction in its net asset value in recent years mainly attributable to impairment made to the concession rights of its forestry and agricultural business due to decline in the selling prices of agricultural products. The Company considered that such impairment was resulted from market situation rather than as a result of the influence of the Subscriber as an investor of the subsidiaries of the Company, particularly that the above-mentioned forestry companies had also made substantial impairment to their forestry businesses in recent years. It should also be noted that the Subscription Price is at a premium to the net asset value per Share (when compared with all the forestry companies listed on the Stock Exchange trading at substantial discount to their net asset value) and the premium would even amount to 94% after deducting the loss of the Company for the first quarter of 2020 from its net asset value as at 31 December 2019. On this basis, the Company considered that the Subscription Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

It is highly uncertain whether other funding opportunities would ever be available in the foreseeable future and, if so available, under what terms and conditions, amid the highly unpredictable and speculative economic and financial conditions around the world. On the balance of (i) the Subscription representing a secured and cost-effective means among all alternative funding means available to the Company to raise fund; (ii) the Subscription (which would result in Ms. He becoming a Shareholder) aligning the interest of Ms. He, a non-executive Director, in the Company with the other Shareholders; (iii) the acceptable magnitude of the dilution (with the shareholding of the existing public Shareholders being reduced by 16.57% from 57.43% to 40.86% and such magnitude being within the range of that of the market

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## LETTER FROM THE BOARD

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comparable transactions as detailed in the Letter from the Independent Financial Adviser); and (iv) enhancement of the net asset value per Share by 27% per Share by the Subscription after deducting the loss of the Company for the first quarter of 2020 from its net asset value as at 31 December 2019, the Company considered that the dilution impact justifiable. Also, given that the Subscriber has been a substantial shareholder of the Group's forestry and agricultural business, the Company does not expect introduction of the Subscriber as a new substantial Shareholder would introduce changes to the Group's businesses and operation in the future.

Save for the loan of HK\$8 million as disclosed in the announcements of the Company in May 2019 and May 2020, which is immediately repayable based on a judgment which the Company is appealing and is applying for a stay of execution pending appeal and that the actual repayment date may be delayed depending on the outcome of the ongoing litigation, the other loans of the Company would be repayable in or around 2036. Other than the Subscription, the Company currently does not have any other debt or equity fund raising opportunity. However, in the event of any future funding needs, the Company would be open to consider any future fund raising opportunities with its shareholders (including but not limited to the Subscriber) and other parties should they become available and at terms which are acceptable to the Company. Until the coronavirus subsides and the global economy is back on track, the Company will continue to focus on maintaining its existing businesses and has no plan for expansion, downsizing or disposal. The Company also does not expect any further change to the Board after the Subscription. As at the Latest Practicable Date, the Company does not have any outstanding capital commitment.

The net proceeds of HK\$3.9 million from the Subscription, which will be applied for the Group's business development and general working capital purposes (such as general corporate and administrative expenses), is expected to cover the Company's general corporate and administrative expenses (which are estimated based on the usual and recurring monthly operating costs of the Company in 2019) throughout 2020. The Board, under the circumstances, considered the Subscription, being a window fund raising opportunity to cover the general working capital needs of the Company and shelter the Group from the current economic crisis which is expected to stay and last for more than a year as a global consensus (as implied in the projections of the World Bank and the IMF), is in the interest of the Company and the Shareholders as a whole and the terms of the Subscription Agreement (including the Subscription Price) are of normal commercial terms and are fair and reasonable.

The Company has not conducted any equity fund raising exercises in the past twelve months immediately preceding the Latest Practicable Date.

### **IMPLICATION UNDER GEM LISTING RULES**

Since the Subscriber is wholly owned by Ms. He, who is a non-executive Director, the sibling of Ms. He Xuemei, the chairperson of the Board and an executive Director, and a substantial shareholder of a number of subsidiaries of the Group engaged in the forestry and agricultural business, the Subscriber is a connected person of the Company under the GEM Listing Rules and therefore the Subscription constitutes a connected transaction of the Company

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## LETTER FROM THE BOARD

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and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### SGM

The SGM will be held at Suites 2701–08, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong at 3:30 p.m. on Friday, 17 July 2020 for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution for approving the Subscription Agreement and the transactions contemplated thereunder. The resolution approving the Subscription Agreement will be conducted by way of poll at the SGM and an announcement on the results of the SGM will be made by the Company after the SGM.

No Director had material interest in the Subscription at the time the Company entered into the Subscription Agreement and, therefore, no Director was required to abstain for voting for the Company's board resolution on the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM. To the best knowledge, information and belief of the Directors, the Subscriber and Ms. He do not hold any Shares as at the Latest Practicable Date and therefore, no Shareholder has a material interest in the Subscription and is required to abstain from voting for the resolution for approving the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 14 July 2020 to Friday, 17 July 2020 (both dates inclusive) during which period no transfer of the Shares will be registered. In order to be qualified for the entitlement to attend and vote at the SGM, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd., at Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 13 July 2020.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the principal place of business of the Company at 26th Floor, Times Tower, 391–407 Times Tower, Causeway Bay, Hong Kong and/or the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed revoked.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Subscription is on normal commercial terms, fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole.

The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

Your attention is drawn to (i) the letter of advice of the Independent Board Committee on pages 13 to 14 of this circular and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on pages 15 to 40 of this circular, both in respect of the Subscription Agreement and the transactions contemplated thereunder.

### RECOMMENDATION

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

### GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**IR Resources Limited**  
**He Xuemei**  
*Chairperson*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transaction contemplated thereunder.*



**IR Resources Limited**

**同仁資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

19 June 2020

*To the Independent Shareholders*

Dear Madam or Sir,

**CONNECTED TRANSACTION –  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular issued by the Company dated 19 June 2020 to the Independent Shareholders of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meaning as those defined in the circular.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board”. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons which the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from the Independent Financial Adviser”. Your attention is also drawn to the “Letter from the Board” and the additional information as set out in the appendix hereto.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Subscription Agreement and the transactions contemplated thereunder, and the recommendation of the Independent Financial Adviser as stated in its letter of advice, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and are in the interest of the Company and the Shareholders as a whole (although the Subscription is not conducted in the ordinary course of business of the Group). We, therefore, recommend that you vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Pang King Sze, Rufina**  
*Independent*  
*non-executive Director*

**Cheung Yin Keung**  
*Independent*  
*non-executive Director*

**Hong Bingxian**  
*Independent*  
*non-executive Director*

**Huang Zhe**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from the Independent Financial Adviser, Ample Capital Limited, to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this Circular.*

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

Ample Capital Limited  
Unit A, 14th Floor  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

19 June 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir/ Madam,

### **CONNECTED TRANSACTION – ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed Subscription. Details of the proposed Subscription are set out in the “Letter from the Board” contained in the circular of the Company to the Independent Shareholders dated 19 June 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise defined herein.

Since the Subscriber is wholly owned by Ms. He, who is a non-executive Director, the sibling of Ms. He Xuemei, the chairperson of the Board and an executive Director, and a substantial shareholder of a number of subsidiaries of the Group engaged in the forestry and agricultural business, the Subscriber is a connected person of the Company under the GEM Listing Rules and therefore the Subscription constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. In this connection, the Company will seek the Independent Shareholders’ approval for the Subscription at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. We, Ample Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there has been no engagement between the Company and us. As at the Latest Practicable Date, there was no relationship or interests between (a) us; and (b) the Group and/or the Subscriber that could reasonably be regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription.

### **BASIS OF ADVICE**

In formulating our opinion and recommendation, we have relied on the information in relation to the Subscription and the operation of the Group supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information given to us so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Directors and the management of the Company in the Circular were reasonably made after due enquiries and careful consideration. The Directors have confirmed that to the best of their information and knowledge, they believe that no material fact or information had been omitted from the information supplied and that the representation made or opinion expressed had been arrived at after due and careful consideration and there is no other fact or representation, the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the GEM Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Circular, nor have we conducted an independent investigation into the business affairs, assets and liabilities of the Group or any of the other parties involved in the Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Subscription, we have taken into consideration the following principal factors:

#### 1. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price. Set out below is a summary of the principal terms of the Subscription Agreement. Further details are set out in the “Letter from the Board” contained in the Circular.

##### *Date*

28 April 2020 (after trading hours)

##### *Parties*

- (i) The Company as the issuer; and
- (ii) The Subscriber as the subscriber.

##### *The Subscription Shares*

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

Assuming that there is no change in the number of issued Shares from the Latest Practicable Date and up to completion of the Subscription, the Subscription Shares represent (i) approximately 40.57% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 28.86% of the number of issued Shares as enlarged by the allotment and issue of the Subscription Shares. Based on the closing price of the Shares of HK\$0.115 as at the date of the Subscription Agreement, the Subscription Shares have a market value of approximately HK\$6.8 million and a nominal value of HK\$590,000. The Subscription Shares will rank *pari passu* in all respects among themselves and with other Shares in issue on the date of allotment and issue of the Subscription Shares.

##### *Subscription Price*

The Subscription Price is HK\$0.070 per Subscription Share. As set out in the “Letter from the Board” contained in the Circular, the Subscription Price was determined after arm’s length negotiation between the Company and the Subscriber

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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with reference to (i) the trend of the market price and the trading volume of the Shares (which had been on a downward trend with very thin trading volume and even occasionally highly speculative in the past 12 months); (ii) the continuing loss-making situation of the Group; and, more importantly; (iii) the Group's audited consolidated net asset value per Share attributable to the owners. Given the above, together with the global spread of the coronavirus and the extremely high volatility of the worldwide financial markets which may lead to further fluctuation of the trading price of the Shares, the Company and the Subscriber had agreed that the consolidated net asset value of the Group, which would more accurately reflect the Group's current true value given the nature of the Group's businesses, would be a fair and reasonable basis in determining the Subscription Price.

### *Conditions of the Subscription Agreement*

Completion of the Subscription is conditional upon:

- (a) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares;
- (b) the passing of the relevant resolution by way of poll at the SGM by the Independent Shareholders for approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares);
- (c) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to completion of the Subscription and there being no indication received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after completion of the Subscription;
- (d) the warranties given by the Company and the Subscriber under the Subscription Agreement remaining true, accurate in all material respects from the date of the Subscription Agreement up to and including the date of completion of the Subscription;
- (e) the Company having obtained all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement (i.e. the Board approving and authorising the execution and completion of the Subscription Agreement and the allotment and issue of the Subscription Shares); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (f) the Subscriber having obtained all necessary consents and approvals as may be required to be obtained on the part of the Subscriber in respect of the Subscription and the transactions contemplated under the Subscription Agreement (i.e. the board of directors of the Subscriber approving and authorising the execution and completion of the Subscription Agreement and the subscription of the Subscription Shares).

Conditions (a), (b), (c), (e) and (f) are not waivable by the Company and the Subscriber. The Company may waive condition (d) in respect of the warranties given by the Subscriber and the Subscriber may waive condition (d) in respect of the warranties given by the Company. In the event that any of the conditions not being fulfilled or waived (as the case may be) in full by 31 July 2020 (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches thereof.

Completion of the Subscription will take place on or before the fifth business day (or such later date as agreed between the Company and the Subscriber) after the fulfilment or waiver (as the case may be) of the conditions as set out above.

### *Proceeds from the Subscription*

The gross proceeds and the estimated net proceeds from the Subscription will amount to approximately HK\$4.13 million and HK\$3.9 million, respectively. The net price per Subscription Share is estimated to be HK\$0.066.

## **2. Background to and reasons for the Subscription**

### *a) Information on the Group*

With reference to the “Letter from the Board”, the Group is principally engaged in (i) the forestry and agricultural business; (ii) the financial services business; (iii) the logistics business; and (iv) the cultural business.

Financial information of the Group (as extracted from the Group’s annual report for the year ended 31 December 2019 (the “**Annual Report**”)) is further discussed below.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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i) *Financial results of the Group*

	<b>For the year ended</b>		<b>Year on year change</b>
	<b>31 December</b>		
	<b>2019</b>	<b>2018</b>	
	<b>(audited)</b>	<b>(audited)</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	30,629	28,390	7.8
– <i>Forestry and agricultural business</i>	30,156	26,592	13.4
– <i>Financial services business</i>	473	1,798	(73.7)
Loss for the year	(15,076)	(44,899)	(66.4)

As set out in the Annual Report, the Group's revenue amounted to approximately HK\$30.6 million for the year ended 31 December 2019 (“**FY2019**”), representing an increase of approximately 7.8% as compared to that for the year ended 31 December 2018 (“**FY2018**”). Such increase in revenue was mainly due to the increase in revenue recorded from the forestry and agricultural business and was partially offset by the decrease in revenue recorded from the financial services business. The revenue recorded from the Group's forestry and agricultural business amounted to approximately HK\$30.2 million for FY2019, representing an increase of approximately 13.4% as compared to that for FY2018.

As illustrated by the table above and with reference to the Annual Report, the Group recorded loss amounted approximately to HK\$15.1 million for FY2019. Such loss was substantially reduced by approximately 66.4% as compared to that for FY2018 mainly due to (i) the write-back of other payables and accruals; and (ii) the decrease in staff costs and administrative expenses.

With reference to its annual reports, the Group has been incurring losses in the past years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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ii) *Financial positions of the Group*

	As at 31 December	
	2019	2018
	(audited)	(audited)
	HK\$'000	HK\$'000
Cash and cash equivalents	4,212	28,168
Total borrowings	25,610	24,902
– <i>Other borrowing (current)</i>	8,000	8,000
– <i>Other loan (non-current)</i>	17,610	16,902
Net assets	14,265	20,999

As set out in the Annual Report, the Group's cash and cash equivalents amounted to approximately HK\$4.2 million as at 31 December 2019 and approximately HK\$28.2 million as at 31 December 2018, respectively.

As at 31 December 2019, the total borrowings of the Group amounted to HK\$25.6 million, comprising other borrowing of approximately HK\$8.0 million, and other loan of approximately HK\$17.6 million. As at 31 December 2018, the total borrowings of the Group amounted to approximately HK\$24.9 million, comprising other borrowing of approximately HK\$8.0 million, and other loan of approximately HK\$16.9 million.

On 23 May 2019, the Company published an announcement in relation to a writ of summons endorsed with a statement of claim was issued in the Court of First Instance of the High Court of Hong Kong on 21 May 2019 by China Jianxin Credit Services Limited (“**China Jianxin**”) as the plaintiff against the Company as the defendant. China Jianxin claims against the Company for the outstanding balance of approximately HK\$8 million, being the outstanding principal amount and the accrued interest up to 21 May 2019 thereon under a revolving loan facility agreement entered into between China Jianxin and the Company on 4 May 2017 together with interests and costs (the “**Claim**”).

The Group's net assets decreased to approximately HK\$14.3 million as at 31 December 2019 from approximately HK\$21.0 million as at 31 December 2018.

**b) *Reasons for and benefits of the Subscription***

Since the beginning of 2020, trade policy uncertainty, geopolitical tension, protectionist sentiments, together with the global outbreak and spread of the coronavirus, have resulted in extremely high uncertainty to the global economy and unprecedented volatility of the global financial markets. According to the report published by the World Bank in March 2020, growth in China's economy in 2020 was projected to substantially slow down to 2.3% in the baseline scenario or as low as



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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0.1% in the lower-case scenario, compared to its growth of 6.1% in 2019. In April 2020, the International Monetary Fund (the “IMF”) also predicted the global economy to contract by 3% this year and described the global decline as the worst since the Great Depression of the 1930s (which was supplemented by its chairperson and managing director on 5 May 2020 that it is the worst crisis since the IMF has been created and since the Great Depression, but it is more than that because it is a combination of a health crisis and an economic shock with an emphasis that it is truly global and this is the worst crisis). With the warning that outcomes could be far worse, depending on the course of the pandemic, the IMF made further adjustment in early May 2020 that the recent economic data for many countries had been coming in below the IMF’s already pessimistic forecast of a 3% contraction in economy in 2020.

According to the Annual Report, approximately 98.5% and 93.7% of the Group’s revenue for FY2019 and FY2018 was derived from the forestry and agricultural business and such business was adversely impacted by a number of challenges, including but not limited to: (i) the Sino-United States trade war; (ii) the global outbreak of COVID-19; (iii) declining trend in selling prices of agricultural products; and (iv) illegal logging and export activities in the Kingdom of Cambodia. Despite the increase in the revenue derived from the forestry and agricultural business and the decrease in net loss recorded in FY2019 as compared to FY2018, there remain uncertainties in the future performance of the Group given the challenges as described above.

The Company, after considering various fund raising methods, was of the view that under the prevailing market conditions, the Subscription would be a secured and cost-effective fund raising means among all the alternative fund raising means available to it. Given that the Group has been loss-making and does not have assets which are generally acceptable to financiers for pledge purpose, debt financing has not been a plausible means for the Group to obtain long term funding in the past years.

In addition, the Company, after attempt to solicit interests from two financial institutions in or around March 2020 with equity fund raising proposals similar to the Subscription, was given to understand that fund raising by way of placing of new Shares to independent investors would not be a viable means without setting a placing price at a discount to both the market price of the Shares and the consolidated net asset value of the Group (resulting in a greater dilution impact to the existing Shareholders at a fund raising size similar to or even smaller than the Subscription). It was noted that the daily trading volume of 104,000 Shares since the beginning of 2020 represented 0.18% of the number of the Subscription Shares and the current extremely high volatility of the worldwide financial markets might lead to further fluctuation of the trading price and depressing the trading volume of the Shares.

The Company had also assessed the possibility of raising fund from existing Shareholders by way of rights issue or open offer, however, given (i) the lack of interest of the Shareholders and potential investors in the Shares as evidenced by the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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historical downward trend of the price and the thin trading volume of the Shares; and (ii) the much longer time frame between the rights issue or open offer information being made public and firm commitment of the participating Shareholders in a stock market currently characterised by frequent and extremely high fluctuations resulted from external factors, the Company considered rights issue or open offer, being subject to even higher uncertainty under the current market conditions, not a plausible means.

In determining the Subscription Price, the Company has considered commonly adopted valuation methodologies (e.g. discounted cashflow model) as the alternative benchmarks. However, these methodologies would require management projection of a company's future income and assessment to the macroeconomic environment (both domestic and worldwide) with assumptions dependent on the status of the economy and the unforeseen obstacles. On one hand, the global business conditions mentioned above has made it impossible for the Company to be in a position to arrive at a meaningful projection of its future income. On the other hand, the pandemic has essentially changed the global economic and financial landscape to make reliable assessment to the macroeconomic environment very difficult. The chairperson of the IMF also admitted in May 2020 that it is the unknown behaviour of the coronavirus that has been clouding the horizon for projections. Accordingly, the Company was of the view that income based valuation methodologies would not be reliable at this juncture. Given the factors as described in the "Letter from the Board" and herein this letter, we concur with the Board's view that income based valuation methodologies would not be reliable at this juncture given the current global economic condition.

Reference has been made to the downward trend of the price of the Shares (having decreased from its highest price of HK\$0.345 to HK\$0.115 as at the date of the Subscription Agreement) and the thin trading volume of the Shares (with daily average daily trading volume of 104,000 Shares, representing approximately 0.12% of the total number of Shares in public hands and indicating the disinterest of the investing public in the Shares) since the beginning of 2020 and up to the date of the Subscription Agreement. The Company also noted that there had been significant fluctuations in the price of the Shares in the past 12 months, particularly the price of the Shares reached its yearly high of HK\$1.19 on 8 August 2019 and immediately dropped by approximately 51% to HK\$0.58 on the second trading day and further dropped by approximately 31% to HK\$0.395 on the third trading day i.e. a surge of 100% (or HK\$0.48) from HK\$0.52 to HK\$1 on 29 July 2019 in one single trading day followed by a drop of approximately 67% (or HK\$0.795) in two consecutive trading days on 8 and 12 August 2019 and then the price of the Shares has been on a downward trend with occasional instances of surge. The Company further noted that Subscription Price represented a discount of approximately 94% to the above yearly high of the price of the Shares. However, the Company considered that the above high prices of the Shares were only snapshots and the occasional significant surges in the price of the Shares were not consistent with the market and the financial performance and business development of the Company and, therefore, were speculative in nature.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors are of the view, and we concur, that issuing less new Shares at a higher subscription price is not plausible due to the lack of interest from potential investors. The Company, after attempt to solicit interests from two financial institutions in or around March 2020 with proposals similar to the Subscription, was given to understand that fund raising by way of placing of new Shares to independent investors would not be a viable means without setting a placing price at a discount to both the market price of the Shares and the consolidated net asset value of the Group.

The Company has also made reference to companies which are listed on the Stock Exchange and engaged in forestry business and noted that all of these companies had been in continuing loss-making situation in their forestry businesses similar to the Group and trading at substantial discount to their net asset value as at the date of the Subscription Agreement. As a result, the Company and the Subscriber did not consider the price of the Shares, which had not been in line with those of other forestry companies listed on the Stock Exchange and had been trading at a substantial premium to net asset value, a good benchmark to determine the Subscription Price. Given the above, the Board considered it in the interest of the Company to use its net asset value as at 31 December 2019, which represented the true and fair view of the net worth of the Shares, as a fair and reasonable basis to negotiate with the Subscriber to determine the Subscription Price.

The Company noted that there had been substantial reduction in its net asset value in recent years mainly attributable to impairment made to the concession rights of its forestry and agricultural business due to decline in the selling prices of the agricultural products. The Company considered that such impairment was resulted from market situation rather than as a result of the influence of the Subscriber as an investor of the subsidiaries of the Company, particularly that the above-mentioned forestry companies had also made substantial impairment to their forestry businesses in recent years. It should also be noted that the Subscription Price is at a premium to the net asset value per Share (when compared with the forestry companies listed on the Stock Exchange trading at substantial discount to their net asset value) and the premium would even amount to approximately 94% after deducting the loss of the Company for the first quarter of 2020 from its net asset value as at 31 December 2019. On this basis, the Company considered that the Subscription Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

It is highly uncertain whether other funding opportunities would ever be available in the foreseeable future and, if so available, under what terms and conditions, amid the highly unpredictable and speculative economic and financial conditions around the world. We, under the circumstances, are of the view and concur with the Directors that (i) the Subscription represents a secured and cost-effective means among all alternative funding means available to the Company to raise fund; (ii) the Subscription (which would result in Ms. He becoming a Shareholder) would align the interest of Ms. He, a non-executive Director, in the Company with the other Shareholders; and (iii) enhancement of the net asset value per Share by approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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27% per Share by the Subscription after deducting the loss of the Company for the first quarter of 2020 from its net asset value as at 31 December 2019. For the dilution impact resulted from the Subscription, please refer to the paragraph headed “Dilution effect on the shareholding interests of the existing public Shareholders” in this letter. Given that the Subscriber has been a substantial shareholder of the Group’s forestry and agricultural business, the Company does not expect introduction of the Subscriber as a new substantial Shareholder would introduce changes to the Company’s businesses and operation in the future.

Save for the loan of approximately HK\$8 million as disclosed in the announcements of the Company in May 2019 and May 2020, which is immediately repayable based on a judgment which the Company is appealing and is applying for a stay of execution pending appeal and that the actual repayment date may be delayed depending on the outcome of the ongoing litigation, the other loans of the Company would be repayable in or around 2036. Other than the Subscription, the Company currently does not have any other debt or equity fund raising opportunity. However, in the event of any future funding needs, the Company would be open to consider any future fund raising opportunities with its shareholders (including but not limited to the Subscriber) and other parties should they become available and at terms which are acceptable to the Company. Until the coronavirus subsides and the global economy is back on track, the Company will continue to focus on maintaining its existing businesses and has no plan for expansion, downsizing or disposal. The Company also does not expect any further change to the Board after the Subscription. As at the Latest Practicable Date, the Company does not have any outstanding capital commitment.

The net proceeds of HK\$3.9 million from the Subscription, which will be applied for the Group’s business development and general working capital purposes (such as general corporate and administrative expenses), is expected to cover the Company’s general corporate and administrative expenses (which are estimated based on the usual and recurring monthly operating costs of the Company in 2019) throughout 2020. The Board, under the circumstances, considered the Subscription, being a window fund raising opportunity to cover the general working capital needs of the Company and shelter the Group from the current economic crisis which is expected to stay and last for more than a year as a global consensus (as implied in the projections of the World Bank and the IMF), is in the interest of the Company and the Shareholders as a whole and the terms of the Subscription Agreement (including the Subscription Price) are of normal commercial terms and are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that:

- (i) the continuous challenges in the industry and the global market as described above are expected to adversely impact the financial performance of the Group;
- (ii) the Subscription is reasonable among all alternative fund raising means available to the Company;
- (iii) the Company has not conducted any equity fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date;
- (iv) the financial positions of the Group (i.e. as at 31 December 2019, the Group only had cash and cash equivalents of approximately HK\$4.2 million, which was substantially less than the current liabilities including but not limited to the Claim as mentioned above);
- (v) the Subscription provides the Company a window fund raising opportunity to cover the imminent general working capital needs of the Company and shelter the Group from the current economic crisis as projected by the World Bank and the International Monetary Fund as described in the “Letter from the Board”; and
- (vi) the net proceeds from the Subscription will be applied for the Group’s business development and general working capital purposes which enhances and provides funding support to the Group’s continuous development and operation of the businesses,

we concur with the Directors that although the Subscription is not conducted in the ordinary and usual course of business of the Company, the Subscription Agreement and the transactions contemplated thereunder are in the interest of the Company and the Independent Shareholders as a whole.

### **3. Analysis of the Subscription Price**

#### ***a) Comparison of the Subscription Price and the market price***

The Subscription Price of HK\$0.070 per Subscription Share represents:

- (i) a discount of approximately 39.1% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

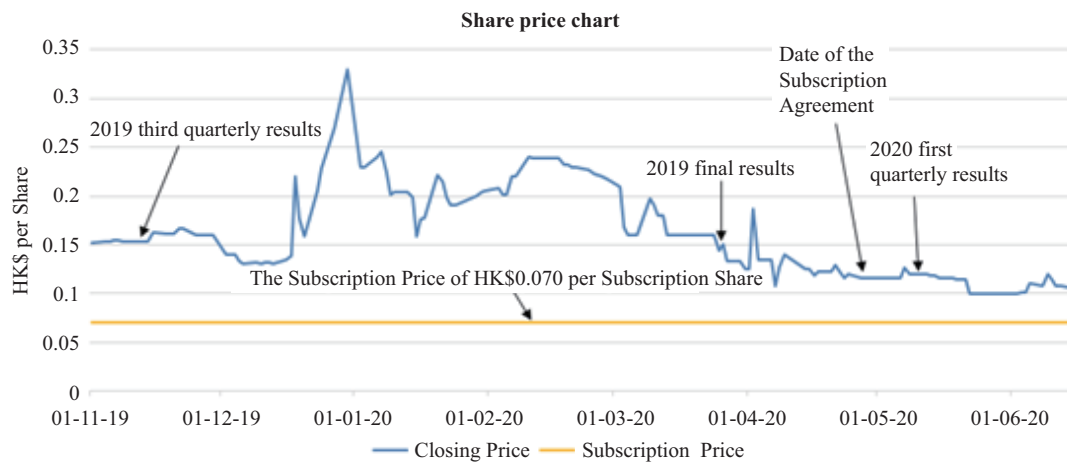
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- (ii) a discount of approximately 41.7% to the average closing price of HK\$0.120 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 33.3% to the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 18.6% over the audited consolidated net asset value per Share of the Group attributable to owners of HK\$0.059 as at 31 December 2019.

The Subscription Price is compared to the market range of comparable issues set out in the paragraph headed “Comparable issues” of this letter.

### *b) Share price performance*

In order to assess the fairness and reasonableness of setting the Subscription Price at HK\$0.070 per Subscription Share, we have reviewed the Share price performance for the period from 1 November 2019, being six months prior to the date of the Subscription Agreement up to and including the Latest Practicable Date (the “**Review Period**”). We considered such Review Period is representative in analysing the recent market condition and performance of the Shares. The chart below illustrates the daily closing price per Share during the Review Period:



Source: The website of Stock Exchange

As illustrated in the chart above, the closing price of the Shares ranged from HK\$0.100 to HK\$0.330 per Share during the Review Period, with an average closing price of approximately HK\$0.162 per Share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 13 November 2019, the Company issued the 2019 third quarterly results announcement for the nine months ended 30 September 2019 with a decrease in net loss of approximately HK\$14.5 million as compared to that for the nine months ended 30 September 2018. Subsequent to the release of such announcement, the closing price of the Shares showed an upward trend to HK\$0.330 per Share as at 30 December 2019, representing an increase of approximately 115.7% as compared to that of 13 November 2019.

The closing price of the Shares showed a downward trend from HK\$0.330 per Share as at 30 December 2019 to HK\$0.144 as at 25 March 2020 on which the Company announced the 2019 final results announcement for FY2019 with a decrease in net loss of approximately HK\$29.8 million as compared to that for FY2018. Subsequent to the release of such announcement, the closing price of the Shares further decreased to HK\$0.115 per Share as at the date of the Subscription Agreement.

On 12 May 2020, the Company issued the 2020 first quarterly results announcement for the three months ended 31 March 2020 with a decrease in net loss of approximately HK\$0.7 million as compared to that for the three months ended 31 March 2019. Subsequent to the release of such announcement, the closing price of the Shares further decreased to HK\$0.105 as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *c) Liquidity*

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the date of the Subscription Agreement (the "**Agreement Date**"); and (iii) percentage of the Average Volume as compared to the total number of issued Shares as at the Agreement Date, during the Review Period:

Month	No. of trading days in each month	% of the Average Volume to total number of issued Shares held by the public as at the Agreement Date <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Agreement Date <i>(Note 2)</i> %
<b>2019</b>			
November	21	0.16	0.09
December	20	1.24	0.71
<b>2020</b>			
January	20	0.31	0.18
February	20	0.01	0.01
March	22	0.05	0.03
April	17	0.14	0.08
May	20	0.07	0.04
June (up to the Latest Practicable Date)	11	0.10	0.05
<b>Maximum</b>		1.24	0.71
<b>Minimum</b>		0.01	0.01

*Source: The website of Stock Exchange*

*Notes:*

1. Based on 83,519,950 Shares held by the public as at the Agreement Date
2. Based on 145,440,451 Shares as at the Agreement Date



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted from the above table that the Average Volume was thin during the Review Period. During the Review Period, the maximum Average Volume was (i) 1.24% of the total number of issued Shares held in public hands as at the Agreement Date; and (ii) 0.71% of the total number of issued Shares as at the Agreement Date. Despite the Average Volume increased significantly in December 2019, being the maximum volume during the Review Period, the Average Volume remain thin and inactive throughout the Review Period.

The low liquidity of the Shares reflects the low market incentive and the lack of interest from potential investors to invest in the Shares and as such, we concur with the Directors that it is expected to be difficult to conduct equity fund raising exercises like rights issue, open offer and/or placing in the market with similar size to that of the Subscription which requires participation of more Shareholders and investors. Furthermore, taking into account the low liquidity of the Shares as illustrated above, we consider it is justifiable to set the Subscription Price with a discount to the closing price of the Share as at the Agreement Date.

### *d) Comparable issues*

We have searched on a best effort basis and identified issue of new shares on the Stock Exchange under specific mandate to connected persons (excluding (a) issue of consideration shares solely for acquisition of assets and payment of services; and (b) issue of shares in right issue or open offer by companies listed on the Stock Exchange) (the “**Comparable Issues**”), with announcements published during the Review Period. The Review Period was adopted to demonstrate the recent market trends with sufficient and representative number of Comparable Issues and thus we consider the timeframe is reasonable and representative.

Based on the aforesaid criteria and to the best of our knowledge, we have identified ten Comparable Issues which we consider to be exhaustive. It should be noted that the subject companies involved in the Comparable Issues have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding such issues may also be different from those relating to the Company. The table below is therefore provided for illustrative purposes only and provides a general reference for the Independent Board Committee and the Independent Shareholders about market practice of transactions of this type in the recent period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Comparable Issues represent an exhaustive list of new shares issues meeting the criteria as set out above. The table below sets out the details of the Comparable Issues:

Date of announcement	Company name	Stock code	Market Capitalisation (Note 2) (approximately) HK\$ million	Gross proceeds (approximately) HK\$ million	Percentage of gross proceeds to market capitalisation (approximately)	Change of the largest shareholder	Premium/(discount) over/(to) the average closing price of the shares of the last five consecutive trading days up to and including/prior to the date of announcement			the net asset value per share attributable to owners (Note 1) (approximately)
							the closing price of the shares on/prior to the date of announcement (approximately)	the closing price of the shares on/prior to the date of announcement (approximately)	the closing price of the shares on/prior to the date of announcement (approximately)	
26/11/2019	JTF International Holdings Limited	8479	133.4	63.3	47.44%	No	-	(0.38%)	(55.78%)	
29/11//2019	Shougang Concord International Enterprises Company Limited	697	9,709.8	450.0	4.63%	No	(13.04%)	(15.25%)	(12.72%)	
8/1/2020	Sunway International Holdings Limited	58	60.4	14.9	24.69%	No (Note 3)	25.00%	24.07%	(66.26%)	
22/1/2020	CT Vision (International) Holdings Limited	994	623.0	61.6	9.89%	No	(21.57%)	(21.41%)	38.68%	
6/2/2020	China Finance Investment Holdings Limited	875	98.4	130.0	132.08%	Yes	(31.60%)	(33.90%)	(68.04%)	
3/3/2020	China Regenerative Medicine International Limited	8158	211.4	100.0	47.31%	Yes	(5.66%)	(16.81%)	(66.68%)	
3/4/2020	Sinopharm Tech Holdings Limited	8156	989.7	160.0	16.50%	Yes	(12.28%)	(15.25%)	3,338.37%	
3/4/2020	Gemini Investments (Holdings) Limited	174	228.0	90.3	39.60%	No	81.80%	98.00%	(91.71%)	
9/4/2020	Creative China Holdings Limited	8368	162.9	10.0	6.14%	No	8.91%	6.80%	316.05%	
23/4/2020	Binhai Investment Company Limited	2886	1,479.7	236.3	15.97%	No (Note 4)	-	5.56%	18.95%	
	<b>Median</b>		60.4	95.1	20.60%		(2.83%)	(7.82%)	(34.25%)	
	<b>Maximum</b>		9,709.8	450.0	132.08%		81.80%	98.00%	3,338.37%	
	<b>Minimum</b>		60.4	10.0	4.63%		(31.60%)	(33.90%)	(91.71%)	
	<b>The Subscription</b>		17.5	4.1	23.66%	Yes	(39.13%)	(41.67%)	18.64%	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Figures are calculated based on (i) the net asset value attributable to owners of the Comparable Issues as set out in their respective latest reports available as at the date immediately prior to their respective announcements in relation to the issue of new shares; and (ii) the number of issued shares as disclosed in their respective announcements in relation to the issue of new shares, where figures in Renminbi were translated at an exchange rate as at the date of their respective announcement sourced from the Hong Kong Association of Banks.
2. Market capitalisation (“**Market Capitalisation**”) is calculated based on the average closing price per share for the last five consecutive trading days immediately prior to the date of the subscription agreement times the number of shares as at the date of the subscription agreement.
3. The subscriber changed from a substantial shareholder to a controlling shareholder immediately after the subscription completion.
4. The subscriber became a substantial shareholder immediately after the subscription completion.
5. Save for the exchange rate as discussed, all data are sourced from the website of Stock Exchange.

As set out in the table above, we noted that:

- (i) the subscription prices of the Comparable Issues ranged from a discount of approximately 31.60% to a premium of approximately 81.80% to/over the respective closing price of their shares on/prior to the date of announcement in relation to the subscription of shares;
- (ii) the subscription prices of the Comparable Issues ranged from a discount of approximately 33.90% to a premium of approximately 98.00% to/over the respective average closing price of their shares for the last five trading days up to and including/prior to the date of announcement in relation to the subscription of shares;
- (iii) the subscription prices of the Comparable Issues ranged from a discount of approximately 91.71% to a premium of approximately 3,338.37% to/over the net asset value per share attributable to the owners;
- (iv) five out of ten of the Comparable Issues represents discount to both of its relevant closing prices, with a maximum of approximately 31.60% and 33.90%. The Subscription Price represents a discount of approximately 39.13% and 41.67% to the closing prices as at the date of the Subscription Agreement which are slightly deeper and beyond the range of the Comparable Issues;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) six out of ten of the Comparable Issues represented discount to its relevant net asset value per share attributable to owners. The Subscription Price representing a premium of approximately 18.64% over the audited consolidated net asset value per Share attributable to owners as at 31 December 2019. Excluding the two Comparable Issues (stock code 8156 and 8368) which we consider to be outliers that have extreme premium of over 100%, there are two Comparable Issues that had a premium over its net asset value per share attributable to owners;
- (vi) four out of ten of the Comparable Issues represented premium over its net asset value per share, among which, two Comparable Issues (stock code 8156 and 8368) have been excluded due to their extreme premium of over 100%. The remaining two Comparable Issues (stock code: 994 and 2886) represents 38.68% and 18.95% over their respective net asset value per share of the company, while the Subscription's premium of 18.64% is very close to one of the Comparable Issues. We are of the view that despite it is the lowest among these two Comparable Issues, the Subscription Price being set at a premium over net asset value per share is in the interest of the Independent Shareholders as a whole and is fair and reasonable; and
- (vii) three Comparable Issues have resulted in the change of the largest shareholder, among which, China Finance Investment Holdings Limited (stock code 875) has raised gross proceeds that represents more than 100% of its market capitalisation and thus is considered as an outlier. The other two Comparable Issues (stock code 8156 and 8158) have raised gross proceeds representing approximately 16.50% and 47.31% to their respective Market Capitalisations, while the Subscription's represents approximately 23.66% and is within the range.

We have also searched on a best effort basis and identified a list of other companies listed on the Stock Exchange that engaged in forestry business, which involves plantation, logging and sale of wood/agricultural related products (the “**Comparable Companies**”) (excluding the one that was subject to trading suspension as at the date of the Subscription Agreement).

Based on the aforesaid criteria and to the best of our knowledge, we have identified three Comparable Companies which we consider to be exhaustive and are sufficient comparable for our analysis. The table below is therefore provided for illustrative purposes only and provides a general reference for the Independent Board Committee and the Independent Shareholders about the premium/discount of the average closing price for the five consecutive trading days prior to the date of the Subscription Agreement over/to the net asset value per share attributable to owners on the market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below sets out the details of the Comparable Companies:

Company name	Stock code	Average Closing Price <i>(Note 1)</i> <i>HK\$</i> <i>(approximately)</i>	Net asset value per share attributable to owners <i>(Note 2)</i> <i>HK\$</i> <i>(approximately)</i>	Premium/(discount) of the Average Closing Price over/(to) the net asset value per share attributable to owners <i>(approximately)</i>
Greenheart Group Limited	94	0.183	0.320	(42.65%)
China Bozza Development Holdings Limited	1069	0.010	0.025	(60.04%)
Hong Wei (Asia) Holdings Company Limited	8191	0.203	0.398	(49.06%)
<b>Median</b>				(49.06%)
<b>Maximum</b>				(42.65%)
<b>Minimum</b>				(60.04%)
<b>The Subscription</b>		0.07 <i>(the Subscription Price)</i>	0.059	18.64%

*Notes:*

1. The figures are based on the average closing price for the last five consecutive trading days prior to the date of the Subscription Agreement (“**Average Closing Price**”).
2. The figures are calculated based on (i) the net asset value attributable to owners of the Comparable Companies as set out in their respective latest reports available as at the date of the Subscription Agreement; and (ii) the number of issued shares as at the date of the Subscription Agreement, where figures in Renminbi were translated at an exchange rate as at the date of the Subscription Agreement sourced from the Hong Kong Association of Banks.
3. Save for the exchange rate as discussed, all data are sourced from the website of Stock Exchange.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the annual report for the year ended 31 December 2019, Greenheart Group Limited principally engages in (i) selective hardwood log harvesting, timber processing, marketing, sale and trading of logs and timber products and the management and operation of forest concession in Suriname; and (ii) softwood plantation management, log harvesting, marketing, sale and trading of logs, provision of forest management services and shipping services in New Zealand. All of its total revenue was derived from its forestry related business.

According to the annual report for the year ended 31 December 2019, China Bozza Development Holdings Limited principally engages in planation, logging and sale of timber related products in PRC. It also engages in container houses business and money lending business. Approximately 67.9% of its total revenue was derived from its forestry related business.

According to the annual report for the year ended 31 December 2019, Hong Wei (Asia) Holdings Company Limited principally engages in timber logging, plantation and sales of timber woods and agricultural products in PRC. It also engages in manufacturing and selling of particleboards in PRC. All of its total revenue was derived from its particleboard business. No revenue was generated from its forestry related business due to the PRC government's policy to strengthen environmental protection.

As illustrated in the above table, we noted that

- (i) all of the Comparable Companies have a discount of Average Closing Price to the net asset value per share attributable to owners as at the date of the Subscription Agreement, which ranged from a discount of approximately 42.65% to 60.04%; and
- (ii) the Subscription Price represents a premium of approximately 18.64% over the audited consolidated net asset value per Share attributable to owners as at 31 December 2019.

Although the Subscription Price represents a relatively deep discount to both the closing price per Share on the date of the Subscription Agreement and the average closing price per Share for the last five trading days immediately prior to the date of the Subscription Agreement than the range of the Comparable Issues, given that the Subscription Price represents a substantial premium over the audited consolidated net asset value per Share attributable to owners as at 31 December 2019, we consider that the Subscription Price is acceptable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**4. Dilution effect on the shareholding interests of the existing public Shareholders**

The following table summarises the effect of the Subscription on the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Subscription (assuming no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to completion of the Subscription).

	<b>As at</b>		<b>Immediately after</b>	
	<b>the Latest Practicable Date</b>		<b>completion of the</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mega Trillion International Corporation	20,775,000	14.28%	20,775,000	10.16%
Bank of Communications Trustee Limited	20,757,500	14.27%	20,757,500	10.15%
Million Pacific Holdings Corporation	20,387,701	14.02%	20,387,701	9.97%
The Subscriber	–	–	59,000,000	28.86%
Public Shareholders	<u>83,519,950</u>	<u>57.43%</u>	<u>83,519,950</u>	<u>40.86%</u>
<b>Total</b>	<u><u>145,440,151</u></u>	<u><u>100.00%</u></u>	<u><u>204,440,151</u></u>	<u><u>100.00%</u></u>

As illustrated above, upon the completion of the Subscription (absent of any other changes), the shareholding of the existing public Shareholders will be reduced by approximately 16.57% from approximately 57.43% as at the Latest Practicable Date to approximately 40.86%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below sets out the details of the dilution effect on the shareholding interests of the public shareholders of the Comparable Issues:

Date of announcement	Company name	Stock code	Shareholding interests held by public shareholders		Dilution effect
			As at the date of announcement <i>(Note 1)</i> <i>(approximately)</i>	Immediately after the subscription under specific mandate <i>(Note 1)</i> <i>(approximately)</i>	
26/11/2019	JTF International Holdings Limited	8479	46.00%	31.16%	(14.84%)
29/11/2019	Shougang Concord International Enterprises Company Limited	697	25.38% <i>(Note 2)</i>	25.30%	(0.08%) <i>(Note 4)</i>
8/1/2020	Sunway International Holdings Limited	58	48.51%	40.47%	(8.04%)
22/1/2020	CT Vision (International) Holdings Limited	994	37.25%	29.92%	(7.33%)
6/2/2020	China Finance Investment Holdings Limited	875	95.10%	31.70%	(63.40%)
3/3/2020	China Regenerative Medicine International Limited	8158	64.67%	41.23%	(23.44%) <i>(Note 4)</i>
3/4/2020	Sinopharm Tech Holdings Limited	8156	57.22%	47.89%	(9.33%)
3/4/2020	Gemini Investments (Holdings) Limited	174	25.64% <i>(Note 3)</i>	21.98%	(3.66%) <i>(Note 4)</i>
9/4/2020	Creative China Holdings Limited	8368	44.37%	41.96%	(2.41%)
23/4/2020	Binhai Investment Company Limited	2886	34.41%	29.89%	(4.52%)
	<b>Median</b>		45.19%	31.43%	(7.69%)
	<b>Maximum</b>		95.10%	47.89%	(0.08%)
	<b>Minimum</b>		25.38%	21.98%	(63.40%)
	<b>The Subscription</b>		57.43%	40.86%	(16.57%)



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

1. The relevant figures of the Comparable Issues are referenced to the figures as disclosed in the respective announcements regarding their subscription of shares under specific mandate sourced from the website of Stock Exchange.
2. After the third party subscription.
3. After the subscription of shares under general mandate.
4. Excluding the effect of the respective conversion of convertible bond.

As set out in the table above, we noted that:

- (i) the dilution effect of China Finance Investment Holdings Limited (stock code 875) of 63.40% is the highest out of the Comparable Issues and should be considered as an outlier;
- (ii) excluding the outlier, the dilution effect to the shareholding interests held by public shareholders of the Comparable Issues ranged from approximately 0.08% to 23.44%. The dilution effect of the Subscription is within the range of the Comparable Issues; and
- (iii) excluding the outlier, one out of ten of the Comparable Issues represented a greater dilution effect than the Subscription. The dilution effect of the Subscription is within range of the Comparable Issues.

Considering the analysis on the Comparable Issues above and taking into account of the need of additional funds of the Company by means of the Subscription and the factors mentioned in the paragraph headed “Reasons for and benefits of the Subscription” in this letter, we consider that the dilution effect to the shareholding interests of the Independent Shareholders as a result of the Subscription acceptable.

### CONCLUSION

In conclusion, after considering the following principal factors:

- (i) the continuing loss-making track record of the Group in the recent years and there remain uncertainties in the future performance of the Group given the challenges as described in the paragraph headed “Reasons for and benefits of the Subscription” in this letter;
- (ii) the business of the Company is adversely impacted by challenges including (i) the Sino-United States trade war; (ii) the global outbreak of COVID-19; (iii) declining trend in selling prices of agricultural products; and (iv) illegal logging and export activities in the Kingdom of Cambodia;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the deteriorating of the financial positions of the Group, in particular, the decreasing trend in the Group's cash and cash equivalents and the financial pressure arising from the Claim;
- (iv) the net proceeds from the Subscription provide necessary working capital to the Company to cope with the current economic crisis as projected by the World Bank and the International Monetary Fund as described in the "Letter from the Board";
- (v) it is highly uncertain whether other funding opportunities would ever be available in the foreseeable future and, if so available, under what terms and conditions, amid the highly unpredictable and speculative economic and the Company has already considered and attempted to raise fund by other methods but in vain. Reference has been made to the 2Q 2020 Investment Outlook published by Hang Seng Investment in April 2020 stating that Hong Kong's economy may continue to decline and the economy outlook is uncertain. We agree that raising fund under such economic condition may not be easily accessible to the Company in the foreseeable future;
- (vi) the Subscription is a feasible and reasonable means after considered and compared with other alternative fund raising methods;
- (vii) the Subscriber is wholly owned by Ms. He who has been a subscriber in the Group's forestry and agricultural business since 2016 and is interested in certain subsidiaries of the Group that engaged in the forestry and agricultural business and accounted for 98.5% and 89.3% of the Group's revenue and gross profit for the year ended 31 December 2019 respectively. Considering such past relationship of Ms. He as a business partner with the Company, we are of the view that the Subscription Price is acceptable to the Company under the circumstances;
- (viii) although the discounts represented by the Subscription Price to the prevailing market prices of the Share are deeper than those of the Comparable Issues, the Subscription is justifiable given the low liquidity of the Shares;
- (ix) the Subscription Price represents a premium of approximately 18.64% over the audited consolidated net asset value per Share attributable to owners as at 31 December 2019. Based on the first quarterly report of 2020, the Subscription Price is at a premium of approximately 94% over the net asset value per Share after deducting the loss of the Company for the first quarter of 2020 from its net asset value as at 31 December 2019. As such, we consider that the Subscription and the Subscription Price are fair and reasonable; and
- (x) the dilution impact to the existing Shareholders from approximately 57.43% as at the Latest Practicable Date to approximately 40.86% upon the completion of the Subscription (absent of any other changes) is within range of the Comparable Issues and is acceptable. We consider the Comparable Issues to be sufficient and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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representative to give the Independent Board Committee and the Independent Shareholders a general reference about the recent market practice of transactions of this type,

we consider that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and are in the interest of the Company and the Independent Shareholders as a whole (although the Subscription is not conducted in the ordinary course of business of the Group). Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**

**T.Y. Yeung**  
*President*

**Jenny Law**  
*Vice President*

*Mr. T.Y. Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. T.Y. Yeung has over 13 years' experience in the corporate finance industry.*

*Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Jenny Law has over 10 years' experience in the corporate finance industry.*

**A. RESPONSIBILITY STATEMENTS**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

As at the Latest Practicable Date, save that Ms. He is a substantial shareholder of certain associated corporations of the Company and the sole shareholder of the Subscriber, no Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Securities Transactions by Directors as set out in Chapter 5 of the GEM Listing Rules, to notify the Company and the Stock Exchange.

**C. INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as known to the Directors, 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of Shareholders	Capacity of interest	Number of ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company (Note)
Mega Trillion International Corporation	Corporate owner	20,775,000	–	14.28%
Bank of Communications Trustee Limited	Trustee	20,757,500	–	14.27%
Million Pacific Holdings Corporation	Corporate owner	20,387,701	–	14.02%

*Note:* Based on 145,440,151 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Directors were not aware of any other person other than the Directors or chief executive of the Company who, as at the Latest Practicable Date, had or was deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to 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.

#### **D. INTERESTS IN CONTRACTS AND ARRANGEMENTS**

Save as disclosed, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **E. SERVICE CONTRACTS**

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

#### **F. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor their respective close associates has any business or interest, which competes or may compete with the businesses of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

#### **G. LITIGATION**

Save as the litigation as disclosed in the announcements of the Company dated 23 May 2019 and 28 May 2020, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

**H. EXPERT'S CONSENT AND QUALIFICATION**

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ample Capital Limited	a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above expert did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date on which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group up to the Latest Practicable Date; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the inclusion of its letter and the references to its name included herein in the form and context in which they respectively appear in this circular.

**I. MATERIAL ADVERSE CHANGE**

Save as disclosed, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date of the latest published audited consolidated financial statements of the Group.

**J. MISCELLANEOUS**

- (i) The company secretary of the Company is Mr. Fung Wing Sang, a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) 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 26th Floor, Times Tower, 391–407 Jaffe Road, Causeway Bay, Hong Kong.
- (iii) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

**K. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours (Saturdays and public holidays excepted) from 9:00 a.m. to 5:00 p.m. at the registered office of the Company in Hong Kong at 26th Floor, Times Tower, 391–407 Jaffe Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of SGM:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2019;
- (c) the Subscription Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 40 of this circular;
- (f) the consent letter referred to in the paragraph headed “Expert’s Consent and Qualification” in this appendix; and
- (g) this circular.

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## NOTICE OF SGM

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### **IR Resources Limited** **同仁資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

#### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of IR Resources Limited (the “Company”) will be held at Suites 2701–08, 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong at 3:30 p.m. on Friday, 17 July 2020, for the purpose of considering and, if thought fit, passing the following ordinary resolution (with or without modification):

Capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 19 June 2020 to the Shareholders unless otherwise specified.

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the subscription agreement (the “Subscription Agreement”) dated 28 April 2020 entered into between the Company as issuer and Power China International Corporation (the “Subscriber”) as subscriber in relation to the proposed subscription of 59,000,000 shares of HK\$0.01 each in the share capital of the Company (each a “Subscription Share”, and collectively, the “Subscription Shares”) at the price of HK\$0.07 per Subscription Share (a copy of the Subscription Agreement marked “A” and signed by the chairman of the SGM for identification purpose has been tabled at the meeting) be and are hereby approved, ratified and confirmed and any one director of the Company (the “Director”) be and is hereby authorised to approve any changes and amendments thereto as he may consider necessary, desirable or appropriate;
- (b) the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares, subject to and in accordance with the terms and conditions set out in the Subscription Agreement; and
- (c) all other transactions contemplated under the Subscription Agreement be and are hereby approved and any one Director be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as



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## NOTICE OF SGM

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the Director in his discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement, or any of the transactions contemplated under the Subscription Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Subscription Agreement) as are, in the opinion of the Director, in the interests of the Company and its shareholders as a whole.”

For and on behalf of the Board  
**IR Resources Limited**  
**He Xuemei**  
*Chairperson*

Hong Kong, 19 June 2020

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM10  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
26th Floor, Times Tower  
391–407 Jaffe Road  
Causeway Bay, Hong Kong

*Notes:*

- (1) A member of the Company entitled to attend and vote at the SGM is entitled to appoint one proxy or, if he/she/it is a holder of more than one Share, more proxies to attend and vote instead of him/her/it. A proxy needs not be a member of the Company.
- (2) Where there are joint holders of any Share, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (3) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of such power of attorney or authority, must be lodged with the principal place of business of the Company at 26th Floor, Times Tower, 391–407 Jaffe Road, Causeway Bay, Hong Kong and/or the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd. at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the SGM.
- (4) Completion and return of the form of proxy will not preclude a member of the Company from attending the SGM and voting in person at the SGM or any adjournment thereof if he/she/it so desires. If a member of the Company attends the SGM after having deposited the form of proxy, his/her/its form of proxy will be deemed revoked.
- (5) For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 14 July 2020 to Friday, 17 July 2020 (both dates inclusive) during which period no transfer of the Shares will be registered. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd., Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 July 2020.