



IR RESOURCES LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code:8186)

2018
THIRD
QUARTERLY
REPORT

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

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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



SUMMARY

- Revenue of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2018 (the “Reporting Period”) amounted to HK\$20.2 million (2017: HK\$23.2 million).
- Consolidated loss and loss attributable to equity holders of the Company for the Reporting Period amounted to HK\$29.5 million (2017: HK\$28.5 million) and HK\$27.6 million (2017: HK\$26.7 million).
- The basic and diluted loss per share (the “Shares”) attributable to equity holders of the Company for the Reporting Period was HK3.33 cents (2017: HK3.31 cents).
- The Board does not recommend the payment of any dividend for the Reporting Period (2017: Nil).

UNAUDITED THIRD QUARTERLY RESULTS

The Board would like to present the unaudited condensed consolidated results (the “Results”) of the Group for the three months and the nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2	7,756	10,501	20,175	23,195
Cost of sales		(6,443)	(6,438)	(16,017)	(17,128)
Gross profit		1,313	4,063	4,158	6,067
Other income and gains		1,017	715	1,412	720
Selling and distribution expenses		–	(325)	(281)	(466)
Administrative expenses		(6,432)	(8,423)	(27,781)	(26,126)
Net loss on financial assets at fair value through profit or loss	4	(468)	(378)	(1,134)	(7,369)
Loss on disposal of financial assets at fair value through other comprehensive income		17	–	(512)	–
Finance costs	3	(909)	(172)	(2,780)	(566)
Share of loss of an associate		237	(4)	(2,107)	(5)
Loss before tax		(5,225)	(4,524)	(29,025)	(27,745)
Income tax expenses	5	(170)	(528)	(444)	(741)
LOSS FOR THE PERIOD		(5,395)	(5,052)	(29,469)	(28,486)
Loss attributable to:					
Equity holders of the Company		(5,537)	(3,434)	(27,622)	(26,655)
Non-controlling interests		142	(1,618)	(1,847)	(1,831)
		(5,395)	(5,052)	(29,469)	(28,486)
		2018	2017	2018	2017
		HK Cents	HK Cents	HK Cents	HK Cents
Loss per Share attributable to the equity holders of the Company	6				
Basic		(0.67)	(0.41)	(3.33)	(3.31)
Diluted		(0.67)	(0.41)	(3.33)	(3.31)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
LOSS FOR THE PERIOD	(5,395)	(5,052)	(29,469)	(28,486)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Revaluation of unlisted equity investment at fair value through other comprehensive income (non-recycling)	(1,889)	–	(3,381)	–
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)	(582)	–	(291)	–
Exchange differences on translation of foreign operations	20	29	114	(74)
Less: Income tax effect	–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(2,451)	29	(3,558)	(74)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(7,846)	(5,023)	(33,027)	(28,560)
Attributable to:				
Equity holders of the Company	(7,988)	(5,391)	(31,180)	(26,729)
Non-controlling interests	142	368	(1,847)	(1,831)
	(7,846)	(5,023)	(33,027)	(28,560)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

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

The Results have also been prepared under the historical cost basis, except for equity investment at fair value through other comprehensive income, equity investment at fair value through profit or loss and derivative financial instrument which are stated at fair value. The principal accounting policies used in the preparation of the Results are consistent with those applied in the Company’s annual report for the year ended 31 December 2017, except for the adoption of new and revised HKFRSs that affect the Group and has been adopted for the first time in the current period’s unaudited condensed consolidated financial information.

2. REVENUE

Revenue recognised during the periods is analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000
Sale of wood and agricultural produce	7,435	5,991	18,595	18,203
Income from development of cultural business	–	3,302	–	3,302
Brokerage commission income	21	288	58	395
Interest income from margin financing	243	220	720	280
Loan interest income	57	133	85	448
Service fee income from provision of financial information services	–	567	717	567
	7,756	10,501	20,175	23,195

3. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000
Interest on loan from financial institution	172	172	509	280
Amortized interest on interest-free loan	148	–	464	286
Imputed interest on convertible bond	589	–	1,807	–
	909	172	2,780	566

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

For the Reporting Period, the Group did not record any realized loss from disposal of listed securities (2017: HK\$1,735,000) and an unrealised loss arising from change in fair value of the listed securities of HK\$1,134,000 (2017: HK\$5,634,000) based on the price of the listed securities as at 30 September 2018. The Group did not receive any dividend from its listed investments during the Reporting Period.

5. INCOME TAX EXPENSES

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated profits arising in Hong Kong.

(b) PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the enterprise income tax is calculated at a rate of 25%.

(c) Cambodia Corporate Income Tax

Under the Law of Taxation of the Kingdom of Cambodia ("Cambodia"), the corporate income tax is calculated at a rate of 20%.

(d) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and nine months ended 30 September 2018.

6. LOSS PER SHARE

The calculations of the basic and diluted loss per Share for the three months and the nine months ended 30 September 2018 are based on the loss attributable to equity holders of the Company being HK\$5.5 million (2017: HK\$3.4 million) and HK\$27.6 million (2017: HK\$26.7 million) divided by the weighted average number of 831,261,212 ordinary Shares (2017: 831,261,212) and 831,261,212 ordinary Shares (2017: 804,365,168) for the three months and the nine months ended 30 September 2018 respectively.

No adjustment has been made to the basic loss per Share amounts presented for the three months and the nine months ended 30 September 2018 and 2017 in respect of a dilution as the impact of the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per Share amounts presented.

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the Reporting Period (2017: Nil).

8. RESERVES

	Attributable to equity holders of the Company												
	Share premium	Share award scheme reserve	Other reserve	Share option reserve	Equity component of convertible bond	Available-for-sale investments revaluation reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Accumulated losses	Sub-Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (audited)	245,500	-	(9,889)	2,016	-	-	-	-	(285)	(140,957)	96,385	4,004	100,389
Loss for the period	-	-	-	-	-	-	-	-	-	(26,655)	(26,655)	(1,831)	(28,486)
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(74)	(26,655)	(26,729)	(1,831)	(28,560)
Placing of shares	19,713	-	-	-	-	-	-	-	-	-	19,713	-	19,713
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	15,814	15,814
At 30 September 2017 (unaudited)	265,213	-	(9,889)	2,016	-	-	-	-	(359)	(167,612)	89,369	17,987	107,356
At 1 January 2018 (audited)	265,213	-	(9,889)	4,930	3,931	291	-	-	(668)	(242,288)	21,520	7,304	28,824
Loss for the period	-	-	-	-	-	-	-	-	-	(27,622)	(27,622)	(1,847)	(29,469)
Reclassification upon initial application of HKFRS 9	-	-	-	-	-	(291)	291	-	-	-	-	-	-
Revaluation upon initial application of HKFRS 9	-	-	-	-	-	-	-	8,345	-	-	8,345	-	8,345
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:													
Revaluation of unlisted equity investment at fair value through other comprehensive income (non-recycling)	-	-	-	-	-	-	-	(11,726)	-	-	(11,726)	-	(11,726)
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:													
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)	-	-	-	-	-	-	(291)	-	-	-	(291)	-	(291)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	114	-	114	-	114
Total comprehensive income for the period	-	-	-	-	-	(291)	-	(3,381)	114	(27,622)	(31,180)	(1,847)	(33,027)
Issue of share award scheme	-	(14,502)	-	-	-	-	-	-	-	-	(14,502)	-	(14,502)
At 30 September 2018 (unaudited)	265,213	(14,502)	(9,889)	4,930	3,931	-	-	(3,381)	(554)	(269,910)	(24,162)	5,457	(18,705)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

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

Revenue of the Group for the Reporting Period amounted to HK\$20.2 million (2017: HK\$23.2 million). The consolidated loss attributable to the equity holders of the Company for the Reporting Period amounted to HK\$27.6 million (2017: HK\$26.7 million). The increase in loss for the Reporting Period was mainly attributable to (i) the non-performance of the Group's cultural business (which did not record any revenue during the Reporting Period); and (ii) the increase in finance costs. The basic and diluted loss per Share attributable to the equity holders of the Company for the Reporting Period was HK3.33 cents (2017: HK3.31 cents).

The Group mainly operates in Hong Kong, Southeast Asia and the PRC and is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and applies appropriate measures if necessary. The Group's business is also subjected to a number of risks including the weather conditions, natural hazards, illegal loggings and the price movements of wood and agricultural produce.

PROSPECTS

The forestry and agricultural business of the Group has been, and is expected to remain difficult and continue to be affected by the adverse administrative policies of the Cambodian government and the concerns from environmental protection and forestland preservation. Given such unfavourable business environment, the Group will closely monitor the development of this segment and adjust its strategies as and when appropriate. The Group will devote further resources to develop its financial services business to seize the business opportunities brought about from the closer collaboration between the capital markets of Mainland China and Hong Kong. Going forward, the Group will continue to make effort to enhance its financial condition and business performance.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Group did not have any material events.

OTHER INFORMATION

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

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Directors	Capacity of Interest	Number of Ordinary Shares held	Number of underlying Shares held (Note 1)	Percentage of shareholding in the Company (Note 2)
Mr. Chan Ching Hang	Beneficial owner	–	8,312,612	1%
Mr. Hong Bingxian	Beneficial owner	–	831,261	0.1%
Mr. Kenneth Hung	Beneficial owner	–	831,261	0.1%
Ms. Pang King Sze, Rufina	Beneficial owner	–	831,261	0.1%

Notes:

1. represents the number of share options granted to the Directors under the Share Option Scheme.
2. based on 831,261,212 Shares in issue as of 30 September 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 30 September 2018, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, so far as is known to any of the Directors or the chief executive of the Company, the following persons (other than a Director and the chief executive of the Company as disclosed above) had interest in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 5% or more of any class of share capital carrying rights to vote at general meetings of the Company.

Name of shareholders	Capacity of interest	Number of ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company (Note)
Million Pacific Holdings Corporation	Corporate owner	163,101,612*	–	19.62%

Note: based on 831,261,212 Shares in issue as of 30 September 2018.

* Shares were held through its wholly-owned subsidiaries.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, the Company may grant options to eligible participants to subscribe for the Shares (the principal terms are set out in the Company's circular dated 27 April 2011).

Details of the movement in and balance of the share options granted under the share option scheme of the Company during the Reporting Period and as at 30 September 2018 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share	Number of share options				At 30 September 2018	% of shareholding of the Company (Note 2)
				As 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period		
Directors	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	10,806,395 (Note 1)	–	–	–	10,806,395	1.3%
Employees	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	16,625,224	–	–	–	16,625,224	2%
	13-11-2017	13-11-2017 to 12-11-2019	HK\$0.099	4,156,307	–	–	–	4,156,307	0.5%
Consultants	10-11-2017	10-11-2017 to 9-11-2019	HK\$0.099	49,875,672	–	–	–	49,875,672	6%
	13-11-2017	13-11-2017 to 12-11-2019	HK\$0.099	1,662,523	–	–	–	1,662,523	0.2%

Notes:

1. details of the options granted to the Directors are as follows:

Name	Capacity of Interest	Number of Ordinary Shares held	Number of underlying Shares held	Percentage of shareholding in the Company (Note 2)
Mr. Chan Ching Hang	Beneficial owner	–	8,312,612	1%
Mr. Hong Bingxian	Beneficial owner	–	831,261	0.1%
Mr. Kenneth Hung	Beneficial owner	–	831,261	0.1%
Ms. Pang King Sze, Rufina	Beneficial owner	–	831,261	0.1%
		–	10,806,395	1.3%

2. based on 831,261,212 Shares in issue as of 30 September 2018.

In accordance with the terms of the share option scheme, the options granted in 2017 have been vested as at the date of grant. The closing price of the Shares immediately before the date on which the share options were granted was HK\$0.099.

The fair value of the share options granted as at 10 and 13 November 2017 is determined to be HK\$0.0593 and HK\$0.0596 respectively using the Trinomial Option Pricing Model with the expected volatility based on the historical share price volatility over the past 3 months. The variables and assumptions used in computing the fair value of the share options as at 10 and 13 November 2017 are based on the Directors' best estimate. The value of an option may vary with different variables of certain subjective assumptions.

DIRECTORS' INTEREST IN CONTRACTS

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

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

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

COMPETING INTERESTS

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

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made enquiry to all Directors and each of them has confirmed that he/she has complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the Reporting Period.

CORPORATE GOVERNANCE

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

APPROVAL OF THE THIRD QUARTERLY REPORT 2018

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

By order of the Board
Chan Ching Hang
Chairman of the Board

Hong Kong, 7 November 2018