



IR Resources Limited
同仁資源有限公司

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 8186)

2020
Third Quarterly Report

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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 (“Board”) of directors (“Directors”) of IR Resources Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“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

For the nine months ended 30 September 2020 (“Reporting Period”),

- revenue of the Company and its subsidiaries (the “Group”) amounted to HK\$18.2 million (2019: HK\$20.5 million);
- consolidated loss of the Company amounted to HK\$10.3 million (2019: HK\$15.0 million);
- the Board does not recommend the payment of any dividend (2019: Nil).

UNAUDITED THIRD QUARTERLY RESULTS

The Board presents the unaudited condensed consolidated results (“Results”) of the Group for the three months and the nine months ended 30 September 2020, together with the unaudited comparative figures for the corresponding periods in 2019, 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	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	7,757	6,879	18,168	20,506
Cost of sales		(6,733)	(5,849)	15,539	(17,508)
Gross profit		1,024	1,030	2,629	2,998
Other income and gains		132	(243)	5,010	1,521
Administrative expenses		(4,209)	(6,546)	(15,151)	(17,855)
Net loss on equity investment at fair value through profit or loss	4	(253)	(25)	(50)	(297)
Finance costs	3	(459)	(358)	(1,196)	(1,067)
Share of results of associates		(85)	(8)	(1,331)	155
Loss before tax		(3,850)	(6,150)	(10,089)	(14,545)
Income tax expenses	5	–	(148)	(170)	(442)
LOSS FOR THE PERIOD		(3,850)	(6,298)	(10,259)	(14,987)
Loss for the period attributable to:					
Ordinary equity holders of the Company		(4,083)	(5,580)	(9,992)	(14,138)
Non-controlling interests		233	(718)	(267)	(849)
		(3,850)	(6,298)	(10,259)	(14,987)
			(Restated)		(Restated)
Loss per Share attributable to the ordinary equity holders of the Company (HK Cents)	6				
Basic		(3.27)	(4.48)	(8.01)	(12.20)
Diluted		(3.27)	(4.48)	(8.01)	(12.20)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(3,850)	(6,298)	(10,259)	(14,987)
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
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)	-	-	-	226
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(40)	1	(25)	(1)
Less: Income tax effect	-	-	-	-
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	(40)	1	(25)	225
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(3,890)	(6,297)	(10,284)	(14,762)
Total comprehensive income/(expense) for the period attributable to:				
Ordinary equity holders of the Company	(4,123)	(5,579)	(6,095)	(13,913)
Non-controlling interests	233	(718)	(4,189)	(849)
	(3,890)	(6,297)	(10,284)	(14,762)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Results are prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, 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 are also prepared under the historical cost basis, except for equity investment at fair value through profit or loss which has been 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 2019, other than those new and revised Hong Kong Financial Reporting Standards that affect the Group and are adopted for the first time in the Results.

2. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers				
Sales of wood, household and agricultural related products	7,757	6,755	17,960	20,296
Revenue from other source				
Loan interest income	–	124	208	210
	7,757	6,879	18,168	20,506

Disaggregated Revenue Information

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of wood, household and agricultural related products				
<i>Timing of revenue recognition</i>				
Goods transferred at a point of time	7,757	6,755	17,960	20,296
Total revenue from contracts with customers	7,757	6,755	17,960	20,296

3. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loan interest from other borrowing	172	172	511	509
Interest on other loan	277	177	647	530
Interest on lease liabilities	10	9	38	28
	459	358	1,196	1,067

4. NET LOSS ON EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Reporting Period, the Group did not record any realized loss from disposal of listed securities (2019: Nil) but recorded an unrealised loss arising from change in fair value of the listed securities of HK\$50,000 (2019: HK\$297,000) based on the market value of the listed securities as at 30 September 2020. 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 ("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 2020.

6. LOSS PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to ordinary equity holders of the company, used in the basic loss per Share calculations	(4,083)	(5,580)	(9,992)	(14,138)

	Number of Shares			
	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	'000	'000	'000	'000
Weighted average number of Shares in issue during the period, used in the basic loss per Share calculations*	124,683	124,683	124,683	115,931**

* Since no share award has been granted to any eligible person under the Company's share award scheme as at 30 September 2020 and it is the intention of the Company to redeem such shares, the weighted average number of Shares in issue during the Reporting Period excluded the 20,757,500 Shares held under the scheme for purpose of calculating the basic loss per Share.

** The weighted average number of Shares for the three months and the nine months ended 30 September 2019 has been adjusted by the share consolidation taken place in May 2019 as if it has become effective since 1 January 2019.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (2019: Nil).

8. COMPARATIVE FIGURES

Certain comparative figures and items have been adjusted and reclassified to conform with the presentation of the current period.

9. RESERVES

For the nine months ended 30 September 2020

	Attributable to ordinary equity holders of the Company								
	Shares held under share award scheme		Other reserve	Fair value reserve (recycling)	Exchange reserve	Retained earnings/ (Accumulated losses)	Sub-total	Non-controlling interests	Total
	Share premium								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	5,293	(5,501)	(9,889)	-	(516)	17,773	7,160	5,650	12,810
Loss for the period	-	-	-	-	-	(9,992)	(9,992)	(267)	(10,259)
Other comprehensive income/(expense) for the period									
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	(3,922)	(3,922)
Fair value gain on debt investment at fair value through other comprehensive income (recycling)	-	-	-	3,922	-	-	3,922	-	3,922
Exchange differences on translation of foreign operations	-	-	-	-	(25)	-	(25)	-	(25)
Total comprehensive income/(expense) for the period	-	-	-	3,922	(25)	(9,992)	(6,095)	(4,189)	(10,284)
At 30 September 2020 (unaudited)	5,293	(5,501)	(9,889)	3,922	(541)	7,781	1,065	1,461	2,526

For the nine months ended 30 September 2019

	Attributable to ordinary equity holders of the Company										
	Share award		Contribution Surplus	Other reserve	Fair value reserve		Exchange reserve	Retained earnings/ (Accumulated losses)	Sub-total	Non-controlling interests	Total
	Share premium	scheme reserve			Share option reserve	(non-recycling)					
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 2019 (audited)	265,213	-	-	(9,889)	4,930	(3,847)	(548)	(276,331)	(20,472)	(92)	(20,564)
Loss for the period	-	-	-	-	-	-	-	(14,138)	(14,138)	(849)	(14,987)
Revaluation of unlisted equity investment at fair value through other comprehensive income (non-recycling)	-	-	-	-	-	226	-	-	226	-	226
Release of fair value reserve relating to unlisted equity investment at fair value through other comprehensive income (non-recycling)	-	-	-	-	-	3,621	-	(3,621)	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the period	-	-	-	-	-	3,847	(1)	(17,759)	(13,913)	(849)	(14,762)
Cancellation of share options	-	-	-	-	(739)	-	-	739	-	-	-
Issue of shares under share award scheme	17,793	(18,001)	-	-	-	-	-	-	(208)	-	(208)
Capital Reorganisation (Note)											
- Capital reduction	-	-	48,626	-	-	-	-	-	48,626	-	48,626
- Reduction of share premium	(265,213)	-	265,213	-	-	-	-	-	-	-	-
- Set-off contribution surplus against accumulated losses	-	-	(313,839)	-	-	-	-	313,839	-	-	-
At 30 September 2019 (unaudited)	17,793	(18,001)	-	(9,889)	4,191	-	(549)	20,488	14,033	(941)	13,092

Note: At the special general meeting held on 2 July 2019, the shareholders of the Company approved the capital reorganisation ("Capital Reorganisation") which involved: (a) the reduction of issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.39 on each existing Share such that the par value of each existing Share will be reduced from HK\$0.40 to HK\$0.01; (b) the reduction of authorised share capital of the Company such that the par value of all its Shares will be reduced from HK\$0.40 to HK\$0.01 which will result in the authorised share capital of the Company being reduced from HK\$200,000,000 divided into 500,000,000 existing Shares of par value of HK\$0.40 each to HK\$5,000,000 divided into 500,000,000 new Shares of par value of HK\$0.01 each; (c) the increase in the authorised share capital from HK\$5,000,000 divided into 500,000,000 new Shares to HK\$200,000,000 divided into 20,000,000,000 new Shares; (d) the transfer of the credit balance arising from such reduction to the contribution surplus account of the Company; and (e) the set-off of credit balance in contribution surplus account against accumulated losses of the Company.

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.

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. The Group has been unavoidably hit by the above impacts, particularly the spread of the coronavirus which had led to worldwide closure of borders and caused massive disruption to the global supply chains. During the Reporting Period, the Group, in consideration of the impact of the coronavirus spread on different products, market segments and geographical locations and leveraging on its wood resources and industrial connections, expanded production facilities to deepen and broaden product offerings and to widen customer base in terms of market segments and geographical locations. As a result, the Group recorded revenue of HK\$7.8 million (2019: HK\$6.9 million) and HK\$18.2 million (2019: HK\$20.5 million) for the third quarter of 2020 and the Reporting Period respectively.

The consolidated loss of the Company for the third quarter of 2020 and the Reporting Period amounted to HK\$3.9 million (2019: HK\$6.3 million) and HK\$10.3 million (2019: HK\$15.0 million) respectively. The substantial decrease in loss was mainly attributable to decrease in administrative expenses and increase in other income.

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 businesses are also subjected to a number of risks including the weather conditions, natural hazards, illegal loggings and the price fluctuations of wood and agricultural related products.

PROSPECTS

The Group anticipates that the devastating impact of the negative conditions mentioned above will continue and will undoubtedly impact on the PRC, Southeast Asia and worldwide economy. In view of the challenges ahead, the Company will follow the right direction for development of its business segments while keeping abreast of the business opportunities available, particularly those with potential to collaborate with the businesses of the Group, with a view to improving return to its shareholders.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the subscription ("Subscription") of 59,000,000 new Shares at the subscription price of HK\$0.07 per Share by a company owned by Ms. He Lamei, a non-executive Director, pursuant to a subscription agreement entered into in April 2020 (as detailed in the circular of the Company dated 19 June 2020) is yet to be completed. Also, the Group has disposed of its plantation business in Cambodia.

CAPITAL COMMITMENTS

The Group did not have any material commitments during the Reporting Period.

OTHER INFORMATION

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

As at 30 September 2020, 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 Director	Capacity of interest	Number of Shares held	Number of underlying Shares held <i>(Note 1)</i>	Percentage of shareholding in the Company <i>(Note 2)</i>
Ms. He Lamei	Corporate owner	–	59,000,000	28.9%

Notes:

1. Represents the 59,000,000 new Shares to be issued under the Subscription.
2. Based on 204,440,151 Shares in issue as of 30 September 2020 as enlarged by the Subscription.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 30 September 2020, 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 2020, 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 Shares held	Number of underlying Shares held	Percentage of shareholding in the Company <i>(Note)</i>
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 of 30 September 2020.

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). As at 30 September 2020, the Company had no options outstanding.

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 businesses 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.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Board (the "Audit Committee") comprises three members, all being independent non-executive Directors. The chairperson of the Audit Committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports, and the independent auditor's report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial controls, internal controls and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources to enable it to discharge its duties.

APPROVAL OF THE THIRD QUARTERLY REPORT 2020

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
IR RESOURCES LIMITED
He Xuemei
Chairperson