



IR RESOURCES LIMITED

*(Incorporated in Bermuda with limited liability)
(formerly known as China Asean Resources Limited)*

(Stock Code: 8186)



1st Quarterly Report **2014**





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This report, for which the board (the “Board”) of directors (the “Directors”) of IR Resources Limited (formerly known as China Asean Resources Limited) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- The Company and its subsidiaries (“the Group”) did not generate any revenue for the three months ended 31 March 2014 (the “Reporting Period”) (2013: HK\$2.8 million).
- Consolidated loss and loss attributable to equity shareholders of the Company for the Reporting Period amounted to HK\$10.4 million (2013: HK\$5.3 million).
- The Group’s basic and diluted loss per share (the “Shares”) of the Company for the Reporting Period was HK0.40 cents (2013: HK0.20 cents).
- The Directors do not recommend the payment of any interim dividend for the Reporting Period (2013: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board would like to announce the unaudited condensed consolidated results of the Group for the Reporting Period (the "Results"), together with the unaudited comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the three months ended 31 March	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	—	2,843
Cost of sales		—	(2,543)
Gross profit		—	300
Other income and gains		196	140
Selling and distribution costs		—	(176)
Administrative expenses		(3,848)	(5,482)
Finance costs	3	(6,274)	(18)
Impairment loss on prepayments, deposits and other receivables		—	—
Impairment loss on biological assets		(481)	(1,068)
Share of profit of associates		—	1,004
Loss before tax		(10,407)	(5,300)
Income tax expenses	4	—	—
LOSS FOR THE PERIOD		(10,407)	(5,300)
Loss attributable to:			
Equity holders of the Company		(10,407)	(5,300)
Non-controlling interests		—	—
		(10,407)	(5,300)
Basic and diluted loss per Share			
For loss for the period	5	(0.40) cents	(0.20) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
LOSS FOR THE PERIOD	(10,407)	(5,300)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,162)	(570)
Less: Income tax effect	—	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,162)	(570)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(11,569)	(5,870)
Attributable to:		
Equity holders of the Company	(11,569)	(5,870)
Non-controlling interests	—	—
	(11,569)	(5,870)

NOTES TO THE 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, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for biological assets which are stated at fair value. The principal accounting policies used in the preparation of the Results are consistent with those applied in the Company's annual report for the year ended 31 December 2013, except for the adoption of new and revised HKFRSs that affect the Group and has adopted the first time for the current period's unaudited condensed consolidated financial information.

2. REVENUE

Revenue recognised during the period is analysed as follows:

	For the three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Sales of wood and agricultural products	—	2,843

3. FINANCE COSTS

	For the three months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Interest on the KW Loan	6,274	—
Interest on other loans	—	18
	6,274	18

4. INCOME TAX EXPENSES

(a) **Hong Kong Profits Tax**

No provision for Hong Kong Profits Tax has been made for the Reporting Period (2013: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period.

(b) **PRC Corporate Income Tax**

No provision for the PRC corporate income tax has been made for the subsidiaries of the Company in the People's Republic of China (the "PRC") as they did not generate any assessable profits arising in the PRC for the Reporting Period (2013: Nil) determined in accordance with the relevant income tax rules and regulations in the PRC.

(c) **Cambodian Corporate Income Tax**

No provision for Cambodian corporate income tax has been made for the subsidiaries of the Company in the Kingdom of Cambodia ("Cambodia") as they did not generate any assessable profits arising in Cambodia for the Reporting Period (2013: Nil) determined in accordance with the relevant tax rules and regulations in Cambodia.

(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 Reporting Period (2013: Nil).

5. LOSS PER SHARE

The calculations of basic and diluted loss per Share for the Reporting Period are based on the unaudited loss attributable to equity holders of the Company being 10.4 million (2013: HK\$5.3 million) divided by weighted average number of 2,623,950,965 (2013: 2,623,950,965) ordinary shares in issue during the Reporting Period.

No adjustment has been made to the basic loss per Share amounts presented for the three months ended 31 March 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per Share amounts presented.

6. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the Reporting Period (2013: Nil).

7. RESERVES

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
As at 1 January 2013 (audited)	972,987	5,265	1,579	(1,221)	(672,025)	306,585	(3)	306,582
Loss for the period	—	—	—	—	(5,300)	(5,300)	—	(5,300)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	(570)	—	(570)	—	(570)
Total comprehensive income for the period	—	—	—	(570)	(5,300)	(5,870)	—	(5,870)
As at 31 March 2013 (unaudited)	972,987	5,265	1,579	(1,791)	(677,325)	300,715	(3)	300,712
As at 1 January 2014 (audited)	972,987	5,265	1,579	(179)	(854,871)	124,781	(3)	124,778
Share options lapsed	—	—	(1,579)	—	1,579	—	—	—
Loss for the period	—	—	—	—	(10,407)	(10,407)	—	(10,407)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	(1,162)	—	(1,162)	—	(1,162)
Total comprehensive income for the period	—	—	—	(1,162)	(10,407)	(11,569)	—	(11,569)
As at 31 March 2014 (unaudited)	972,987	5,265	—	(1,341)	(863,699)	113,212	(3)	113,209



FINANCIAL AND BUSINESS REVIEW

The Group is principally engaged in (i) forestry and agricultural business in Cambodia (logging of existing trees from and subsequent plantation of rubber trees or other agricultural produce on the three forests (the “Three Forests”) for which the Group has been granted the exploitation concession right and the subsequent sale of wood and agricultural products); and (ii) resources and logistics business.

The Group did not generate any revenue for the Reporting Period (2013: HK\$2.8 million).

The consolidated loss and loss attributable to the equity holders of the Company for the Reporting Period amounted to HK\$10.4 million (2013: HK\$5.3 million). The increase in the losses over the prior year primarily attributable to the substantial increase in finance cost arising from the default interest of a loan.

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

As at 31 March 2014, the Group did not have any outstanding bank borrowing (2013: Nil) nor any outstanding hedging instrument (2013: Nil).


CHARGE ON ASSETS OF THE GROUP

The issued share capital of Forest Glen Group Limited (“Forest Glen”) and China Cambodia Resources Limited (“China Cambodia”) were pledged to secure 2 loans (the “KW Loan”) from Mr. Zhang Zhenzhong (“Mr. Zhang”) as at 31 March 2014.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had the following material events:


- (i) In November 2014, the Company entered into a loan facility agreement with its related company (“RC”, with a director of the Company was also a sole director and sole shareholder of RC who (1) resigned as a sole director of RC and (2) disposed of all equity interested in RC on 14 November 2014. RC ceased to be a related company of the Company since then) for a loan amount up to \$25,000,000. The lender has agreed not to demand for repayment until the completion of the fund raising exercise;

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- (ii) In July 2015, the Company entered into a subscription agreement (and subsequently a supplemental agreement on 30 September 2015) (collectively, the “Subscription Agreements”) with six subscribers (the “Subscribers”), who are independent third parties and have business connection and experience in the forestry business in Asia, pursuant to which, the Company will undergo an internal restructuring (the “Restructuring”). As at the date of this report, the Subscription Agreements had not been completed. Details of the Subscription Agreements and the Restructuring were disclosed in the Company’s announcements dated 17 July and 30 September 2015;
 - (iii) In November 2015, the Group entered into a cooperation agreement (“Plantation Cooperation Agreement”) with an experienced plantation operator (the “Plantation Partner”), which has substantial experience in the business of plantation and has operations in the Southeast Asia. Pursuant to the Plantation Cooperation Agreement, the Plantation Partner will be engaged in the plantation business of the Group and, together with the relevant Subscribers will provide funding for the plantation business of the Group;
 - (iv) On 24 February 2016, the Company entered into an underwriting agreement with an underwriter to raise fund of approximately HK\$262 million (before expenses) by way of a rights issue, which, subject to fulfillment of certain conditions precedent pursuant to the underwriting agreement, is expected to be completed in May 2016, for purposes of general working capital and debt repayment.

LITIGATION

Litigation with Mr. Zhang

On 21 May 2013, Keen Wood Group Limited (“Keen Wood”), a wholly owned subsidiary of the Company, entered into a loan agreement (the “Loan Agreement”) with Mr. Zhang to provide the KW Loan in the aggregate principal amount of up to HK\$76,300,000 to Keen Wood. The KW Loan bore interest at the rate of 5% per annum, and was secured by 100% of the shares (the “Shares Charges”) in Forest Glen and China Cambodia, in which, as to HK\$37,323,000 should be repaid on or before 20 May 2015 and the remaining balances of HK\$9,464,000 should be repaid on or before 20 May 2016. If defaults (the “Defaults”) in the Loan Agreement is triggered, an additional interest of (i) 15% will be charged for the first 20 business days from said due date; (ii) 30% will be charged for the first 3 months immediately following the first 20 business days; and (iii) 50% will be charged thereafter.



On 10 March 2014, 28 March 2014 and 21 August 2014, respectively, the Group received the letters issued by Mr. Zhang, he purported to declare that Defaults had occurred and the KW Loan would immediately due and payable and the Shares Charges were enforceable. Mr. Zhang also commenced legal proceeds (the "Litigation") in the British Virgin Island Court against with Keen Wood, Forest Glen and China Cambodia.

On 31 October 2014, RC acquired the KW Loan from Mr. Zhang. As such, Mr. Zhang is no longer a creditor of the Group in respect of the KW Loan and ceased to have any right to enforce the security under the Shares Charges. The Litigation was withdrawn by Mr. Zhang on 15 December 2014.

Other litigations

Apart from the above, the Group has certain litigations arising from its former landlord and staff regarding the settlement of the accrued salaries, rental and other outstanding balances of approximately HK\$2,480,000. The litigations with the former landlord and the staff have been subsequently settled in March 2015 and January 2016. Such amounts have been fully provided in the consolidated financial statements of the Group and did not have further material financial impact of the Group.

SUSPENSION IN TRADING IN THE SHARES

Trading in the Shares has been suspended since April 2013 and will remain suspended pending the fulfillment of the resumption conditions.

PROSPECTS

Looking forward, the Group will (i) continue to implement strategies to strengthen its forestry and agricultural business and (ii) seize appropriate investment/business in its resources and logistics business as well as debt/equity fund raising opportunities so as to enhance the financial condition of the Group for its continuous development.

OTHER INFORMATION

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

As at 31 March 2014, 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 (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name	Capacity of interest	Number of Shares	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
Better Day International Limited (Note 2)	Corporate owner	446,370,967	—	17.01%
Mr. Gong Ting (Note 3)	Beneficial owner	415,000,000	—	15.82%
Mr. Leung Sze Yuan, Alan (Note 4)	Beneficial owner	10,950,917	—	0.42%
		—	5,000,000	0.19%
Mr. Zhang (Note 5)	Beneficial owner	27,328,000	—	1.04%
		—	5,000,000	0.19%

Notes:

1. represented the share options granted but not yet exercised.
2. Better Day is wholly and beneficially owned by Ms. Yu Xiao Min, an executive Director.
3. Mr. Gong Ting resigned as an executive Director in September 2014.
4. Mr. Leung Sze Yuan, Alan resigned as a Director in March 2015.
5. Mr. Zhang has been removed as the chief executive officer of the Company in October 2014.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 10 June 2011, the Company terminated the previous share option scheme adopted on 14 December 2001 and adopted a new share option scheme (the “Share Option Scheme”), pursuant to which any employees and Directors of the Company and its subsidiaries may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are set out in the Company’s circular dated 27 April 2011.


Details of the movement in share options granted under the Share Option Scheme and as at 31 March 2014 were as follows:

Grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options				At 31 March 2014
				As 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	
Director (Note 1)	4-6-2010	4-6-2011 to 3-6-2014	0.365	5,000,000	—	—	—	5,000,000
Employees	4-6-2010	4-6-2011 to 3-6-2014	0.365	7,300,000	—	—	—	7,300,000
total:				12,300,000	—	—	—	12,300,000

Note 1: represented the share options granted to Mr. Leung Sze Yuen, Alan who resigned as a Director in March 2015.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 31 March 2014, 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

At 31 March 2014, so far as known to any of the Directors or the chief executive of the Company, no other person (other than a Director and the chief executive of the Company as disclosed above) had any interest or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 10% or more of any class of share capital carrying rights to vote at general meeting of the Company.

DIRECTORS' INTEREST IN CONTRACTS

No contracts, commitments or agreements 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 interest with the Group during the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.



APPROVAL OF THE FIRST QUARTERLY REPORT 2014

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

By order of the Board
Yu Xiao Min
Chairperson of the Board

Hong Kong, 24 February 2016