

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **IR RESOURCES LIMITED**

### **同仁資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

## **FULFILLMENT OF RESUMPTION CONDITIONS UPDATE ON BUSINESS OF THE GROUP AND RESUMPTION OF TRADING**

**Joint Financial Advisers**

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

**Nuada Limited**  
*Corporate Finance Advisory*

### **FULFILLMENT OF RESUMPTION CONDITIONS**

Reference is made to the announcement of the Company dated 9 September 2013 relating to the Resumption Conditions. The Company is pleased to announce that all the Resumption Conditions have been fulfilled as at the date of this announcement.

### **RESUMPTION OF TRADING**

Trading in the Shares has been suspended from 9:00 a.m. on 2 April 2013. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 26 February 2016.

Reference is made to the announcement of IR Resources Limited (the “Company”, together with its subsidiaries, the “Group”) dated 2 April 2013 relating to the suspension of trading in the shares (the “Shares”) of the Company.

## **FULFILLMENT OF THE RESUMPTION CONDITIONS**

As stated in the Company's announcement dated 9 September 2013, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued a letter to the Company setting out the following conditions for resumption of trading in the Shares (the "Resumption Conditions"):

- (i) all the outstanding financial results required by the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange are published and audit qualifications, if any, are addressed; and
- (ii) the GEM Listing Rules and all applicable laws and regulations are complied with.

The Company is pleased to announce that as at the date of this announcement, all of the Resumption Conditions had been fulfilled, details of which are set out below.

## **PUBLICATION OF THE OUTSTANDING FINANCIAL INFORMATION**

The following outstanding financial information of the Company was published on 24 February 2016:

- (i) the audited results announcements and the annual reports of the Company for the years ended 31 December 2012 (the "2012 Results"), 2013 (the "2013 Results") and 2014 (the "2014 Results") and the annual reports of the Company for the years ended 31 December 2012, 2013 and 2014;
- (ii) the unaudited first quarterly results announcements and quarterly reports for the three months ended 31 March 2013, 2014 and 2015;
- (iii) the unaudited interim results announcements and interim reports for the six months ended 30 June 2013, 2014 and 2015; and
- (iv) the unaudited third quarterly results announcements and quarterly reports for the nine months ended 30 September 2013, 2014 and 2015.

On 24 February 2016, the Company published its audited results announcement for the year ended 31 December 2015 (the "2015 Results").

## **THE QUALIFIED AUDIT OPINIONS AND THE SUBSEQUENT MANAGEMENT EFFORT TO REMOVE SUCH AUDIT OPINIONS**

### **Background**

The auditors (the “Auditors”) of the Company have expressed a “disclaimer of opinion” on the consolidated financial statements of the Company for each of the years ended 31 December 2012, 2013, 2014 and a “qualified opinion” for the year ended 31 December 2015. The matters which gave rise to such disclaimers of opinion mainly related to (i) limitation on the audit evidence available to the Auditors to form a basis for an audit opinion; and (ii) the fundamental uncertainty as to the adoption of the going concern basis in the preparation of the consolidated financial statements. Set out below are details of the factors leading to the aforesaid disclaimers of opinion and the steps taken by the management of the Company to remove such qualified audit opinions:

#### ***1. Scope Limitation — loss of access to books and records of a subsidiary***

It is disclosed in the 2012 Results, the 2013 Results and the 2014 Results that the underlying books and records of a wholly-owned subsidiary of the Company (together with its subsidiaries, the “Coal Logistics Group”), which used to engage in resources and logistics business, were not accessible due to the departure of management and staff after cessation of the operation of the Coal Logistics Group subsequent to the year ended 31 December 2012. Accordingly, the financial statements relating to the Coal Logistics Group could not be ascertained and there were qualified opinions in the 2012 Results, the 2013 Results and the 2014 Results in this regard.

The Coal Logistics Group was disposed of by the Group in August 2015. Although there was still a qualification on the Group’s results for the year ended 31 December 2015 resulted from the qualification on the opening balance of the consolidated statement of financial position of the Group (which included the Coal Logistics Group) as at 1 January 2015, there was no qualified opinion on the Group’s consolidated statement of financial position as at 31 December 2015. The Auditors have also confirmed that there will be no qualified opinion on the consolidated financial statements of the Group in this regard for the year ending 31 December 2016.

#### ***2. Scope Limitation — intangible assets***

##### *Fair value of intangible assets*

The Group’s intangible assets represented the timber logging rights (the “Timber Logging Rights”) in the three forests (the “Three Forests”), of which the Group has been granted the relevant concession (the “Economic Land Concession”) by the Cambodian government. Since the intangible assets are stated at cost less accumulated amortisation and impairment losses, an impairment loss assessment on the Group’s intangible assets (i.e. the Timber Logging Rights) should be performed annually.

The current professional tree expert and valuer were appointed by the Group only in 2014 and, therefore, the volume and conditions of the trees in the Three Forests and the fair value of the Timber Logging Rights as at 31 December 2012 and 2013 and 1 January 2014 could not be ascertained. As a result, there were qualified opinions on the Group's intangible assets in the 2012 Results and the 2013 Results and related impairment provided for the Group's intangible assets during the year ended 31 December 2014. Since the professional tree expert and the valuer had been engaged to perform physical inspection of the trees in the Three Forests to determine the fair value of the Timber Logging Rights as at 31 December 2014 and 2015, there was no qualified audit opinion on the closing balance of the Group's intangible assets as at 31 December 2014 and 2015.

#### *Amortisation Method*

In addition, prior to 1 January 2012, the Timber Logging Rights had been amortised over the concession periods of the Economic Land Concessions on a straight-line basis (the "Annual Amortisation Method"). During the year ended 31 December 2012, the directors of the Company re-assessed such amortisation method and were of the opinion that the unit-of-production amortisation method (the "UOP Amortisation Method") should be adopted to better reflect the economic substance of the timber logging activities of the Group during the relevant years. As a result of the Group's change of its accounting policy from the Annual Amortisation Method to the UOP Amortisation Method during the year ended 31 December 2012, the accumulated amortisation amount of the Timber Logging Rights as at 31 December 2011 would have to be adjusted. Since (i) the opening balance of the accumulated amortisation of the Timber Logging Rights as at 1 January 2012 was arrived at under the Annual Amortisation Method (i.e. not having been adjusted using the newly adopted UOP Amortisation Method); and (ii) the amortisation amount of the Group's intangible assets for the years ended 31 December 2012 and 2013 and 2014 could not be ascertained due to the uncertainty of the closing balances of intangible assets as at 31 December 2012 and 2013 and the opening balance of intangible assets as at 1 January 2014, there were qualified opinions on the annual amortisation of the Group's intangible assets in the 2012 Results, the 2013 Results and the 2014 Results. Nevertheless, since the closing balance of the intangible assets as at 31 December 2014 could be ascertained, there was no such audit qualification in the 2015 Results.

### **3. *Scope Limitation — biological assets***

The biological assets of the Group represent the land clearing and plantation costs incurred for the rubber trees planted by the Group and were stated at fair value at the end of each reporting period. Since no physical inspection of the rubber trees had been performed prior to 2014, the closing balances of the Group's biological assets as at 31 December 2012 and 2013 and the related impairment loss on the biological assets for the years ended 31 December 2012 and 2013 could not be ascertained and resulted in qualified opinions on the Group's biological assets having been made in the 2012 Results and the 2013 Results.

Since physical count inspection was performed in 2014 and 2015, there were no qualified audit opinions in respect of the Group's biological assets as at 31 December 2014 and 2015 in the 2014 Results and the 2015 Results. However, due to the qualification on the opening balance of the Group's biological assets as at 1 January 2014, the 2014 Results still contained a qualified audit opinion on the decrease in fair value of the Group's biological assets for the year ended 31 December 2014. Nevertheless, there was no such qualification in the 2015 Results.

**4. *Scope Limitation — impairment on investments in subsidiaries and amounts due from subsidiaries***

Due to the qualified opinions numbered 1, 2 and 3 above, the balances of the Group's investment in subsidiaries and the amounts due from subsidiaries as at 31 December 2012, 2013 and 2014 could not be ascertained and resulted in qualified opinions in this regard having been made in the 2012 Results, the 2013 Results and the 2014 Results. Since the matters giving rise to the qualified audit opinions numbered 1, 2 and 3 had been satisfactorily resolved, there was no qualification in this regard as at 31 December 2015 in the 2015 Results.

Although there was still a qualification on the Group's results for the year ended 31 December 2015 due to the qualification on the opening balance of the Group's investment in subsidiaries and the amount due from subsidiaries as at 1 January 2015, there was no qualified opinion in this regard as at 31 December 2015. The Auditors have also confirmed that there will be no qualified opinion on the consolidated financial statements of the Group in this regard for the year ending 31 December 2016.

**5. *Fundamental uncertainty — going concern***

The consolidated financial statements of the Group for each of the years ended 31 December 2012, 2013, 2014 and 2015 were prepared on the going concern basis. The Auditors were of the view that the fundamental uncertainty of the Group as a going concern was significant and pervasive for the years ended 31 December 2012, 2013 and 2014 and, therefore, the Auditors disclaimed their opinion in the audit reports for the corresponding years in respect of the appropriateness of adopting the going concern basis for the preparation of the relevant consolidated financial statements. However, in view of the latest business development of the Group and the Rights Issue (as defined below), the Auditors did not express a disclaimer opinion on the consolidated financial statements and rendered only a qualified opinion in this regard.

The Group entered into the Subscription Agreement with the Subscribers in July 2015 and the Plantation Cooperation Agreement (as defined below) with the Plantation Partner (as defined below) in November 2015. In addition, the Company, for settlement of its liabilities and obtaining additional working capital, also entered into an underwriting agreement in February 2016 to raise fund of approximately HK\$262 million by way of rights issue (the "Rights Issue"), which will be implemented on the basis of ten new Shares for every one existing Share

held by the then qualifying shareholders of the Company at the subscription price of HK\$0.01 per new Share (following the capital reorganisation to be conducted by the Company involving reduction of its issued share capital). The details of the Rights Issue were set out in the announcement of the Company dated 24 February 2016. As such, the Auditors have confirmed that following the completion of the Subscription Agreement, the Plantation Cooperation Agreement and the Rights Issue, the Company would have sufficient working capital for the 12 months following completion of the Rights Issue and, in the absence of other unforeseen and adverse matters, such qualified audit opinion will be removed in the audit report of the Company for the year ending 31 December 2016.

As mentioned in the aforesaid announcement of the Company dated 24 February 2016 relating to the Rights Issue, a circular containing further information relating to the Rights Issue will be despatched to the shareholders of the Company on or before 15 March 2016. In this connection, a special general meeting of the Company will be convened for the shareholders of the Company to consider and approval the Rights Issue, the Subscription Agreement and the Plantation Cooperation Agreement and the transactions contemplated thereunder.

## **INTERNAL CONTROL REVIEW**

The Group has modified its written internal control policy and procedures (the “IC Manual”) to govern its control environment and control over its financial reporting and disclosure procedures as well as its business processes during 2015. The directors of the Company are of the view that the Group has maintained, in all material aspects, effective internal control to meet the obligations of the GEM Listing Rules. The Company has engaged Ascenda Cachet Risk Consulting Limited (“AC Consulting”) to conduct an independent review on the internal control systems of the Group (the “IC Review”). Although there were not sufficient samples during the review period for purpose of assessing the effectiveness of the implementation of the IC Manual, AC Consulting concurs with the view of the directors of the Company that the Group has maintained, in all material aspects, effective internal control to meet the obligations of the GEM Listing Rules upon satisfactory implementation of the internal control policies and procedures of the Group. The Company has engaged AC Consulting to conduct a follow-up review (depending on the then operating scale of the Group’s forestry business) on the Group’s business operation in the first half of 2016 and will make announcement(s) relating to the follow-up review in the third quarter of 2016.

## **UPDATE OF THE GROUP’S FORESTRY BUSINESS**

Unless the context requires otherwise, capitalised terms used in this section shall have the same meaning as those defined in the announcements of the Company dated 17 July 2015 and 30 September 2015 respectively (the “Announcements”).

The Group entered into the Subscription Agreement (as supplemented) with the Subscribers to restructure the business of the Group in July 2015. Please refer to the Announcements for details.

In November 2015, Keen Wood, a wholly-owned subsidiary of the Company, entered into a plantation cooperation agreement (the “Plantation Cooperation Agreement”) with Cong Ty TNHH Mtv Phat Phat Trien (the “Plantation Partner”), an independent and experienced professional plantation company incorporated in the Socialist Republic of Vietnam with limited liability, which has an operating history of more than 15 years in the forestry business in Vietnam, Cambodia and Lao and has developed and managed rubber plantation bases of more than 30,000 hectares in Cambodia. Pursuant to the Plantation Cooperation Agreement, the Plantation Partner will acquire and Keen Wood will dispose of 49% equity interest in each of China Cambodia Resources and Forest Glen (being the wholly-owned subsidiaries of the Company holding the entire equity interest of the Cambodia Subsidiaries) at the consideration of US\$1 each.

Pursuant to the Plantation Cooperation Agreement, the Plantation Partner shall (i) contribute funds to China Cambodia and Forest Glen (or CTM, AICD and CLD as the case may be) proportional to its shareholding for the plantation business of the Plantation JV; (ii) establish a management team who are experienced in the plantation operation and provide on-going technical support to the Group’s plantation business (e.g. procurement of seeds/seedling, purchase of raw materials and establishment of sales network, etc.); (iii) procure that the annual rubber plantation volume of the Three Forests shall not be less than those required by the Cambodian government; (iv) charge its 49% equity interest in China Cambodia and Forest Glen in favour of the Company, the release of which is at the Company’s sole discretion and at its satisfaction of the progress of the plantation business during the first 24-month period after the completion of the Plantation Cooperation Agreement; and (v) compensate the loss suffered by the Group based on the then valuation of the Economic Land Concession(s) cancelled and/or the monetary amount of penalty imposed by the Cambodian government (as the case may be) for reason of the plantation progress.

As the Subscription Agreement and the Plantation Cooperation Agreement will together form part of the Group’s business restructuring, the agreements and the transactions contemplated thereunder will be subject to shareholders’ approval. A circular will be despatched to the shareholders of the Company on or before 15 March 2016. As mentioned above, a special general meeting of the Company will be convened for the shareholders of the Company to consider and approve the Subscription Agreement and the Plantation Cooperation Agreement and the transactions contemplated thereunder and the Rights Issue.

The Group’s forestry business comprises the timber logging business and plantation business. The Group’s timber logging business segment involves the logging and processing of the existing trees from the Three Forests and subsequent sale of the wood products to customers. Its plantation business segment involves the planting of rubber seedlings on areas where the trees have been logged and cultivation of the rubber trees until the rubber trees reach harvest stage for latex production and the subsequent sale of rubber. Following the entering into of the Subscription Agreement and the Plantation Cooperation Agreement, the Group has established an experienced and professional management team and reactivated its forestry business. The Group is also in the course of finalising the plantation plan and anticipates resumption of its plantation business in the first half of 2016. After completion of the Subscription Agreement and the Plantation Cooperation Agreement, together

with the funding from the Rights Issue, the Group will be able to ramp up the timber logging business to increase the sales of its timber products as well as to commence the plantation business and implement procedures to prepare the plantation bases in the second quarter of 2016 (including finalising the plantation plan, purchase of seedlings, preparing the land and the constructing the necessary plant and machinery).

## **GENERAL**

As at date of this announcement, the Company and its directors do not has any present agreement, arrangement, intention, negotiation and/or plan about any acquisition, disposal of company or assets, and/or to carry out a principal business other than the existing businesses of the Company within 24 months after resumption of trading in the Shares.

The Company confirms that, save as disclosed in this announcement, it is not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance in respect of the Company's resumption of trading in the Shares.

## **RESUMPTION OF TRADING**

Trading in the Shares has been suspended with effect from 9:00 a.m. on 2 April 2013. As all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 26 February 2016 on the Stock Exchange.

By Order of the Board of Directors of  
**IR Resources Limited**  
**Yu Xiao Min**  
*Chairperson*

Hong Kong, 24 February 2016

*As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Ms. Yu Xiao Min, Ms. Xu Miaoxia and Mr. Zeng Lingchen; and three independent non-executive directors, namely Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung.*

*This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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