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IR RESOURCES LIMITED

同仁資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

MAJOR TRANSACTION – FORMATION OF JOINT VENTURES AND BUSINESS RESTRUCTURING OF THE GROUP

THE SUBSCRIPTION AGREEMENT

The Company is pleased to announce that on 19 September 2016, the Group entered into the Subscription Agreement with the Subscribers, pursuant to which (i) the Vendor will procure SPV1 to dispose of and Subscriber D will acquire 33.3% equity interest of JV1; (ii) the Vendor will dispose of and Subscriber A will acquire 39.2% equity interest of JV2; (iii) the Vendor will procure JV1 to dispose of and Subscriber B will acquire 40% equity interest of the Timber Exploration JV; (iv) the Vendor will dispose of and Subscriber E will acquire 22.5% equity interest of the SPV1; (v) the Vendor will procure JV2 to dispose of and Subscriber B will acquire 20% equity of the Plantation JV; and (vi) the Vendor will procure JV2 to dispose of and Subscriber C will acquire 29% equity interest of the Plantation JV. In addition, the relevant Subscribers will (i) provide the Timber Business Loan and the Plantation JV Loan; and (ii) establish a management team for of the timber business; and (iii) provide profit guarantee in respect of the Timber Exploration JV for the Guaranteed Periods.

THE PLANTATION AGREEMENT

The Group entered into the Plantation Agreement with the Plantation Partner in November 2015 (as supplemented on 19 September 2016), pursuant to which the Group will dispose of and the Plantation Partner will acquire 49% equity interest in each of CCR and FG.

IMPLICATION OF THE GEM LISTING RULES

As the applicable ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Subscription Agreement and the Plantation Agreement are more than 25% but less than 75%, the transactions contemplated under the Subscription Agreement and the Plantation Agreement will together constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

SGM

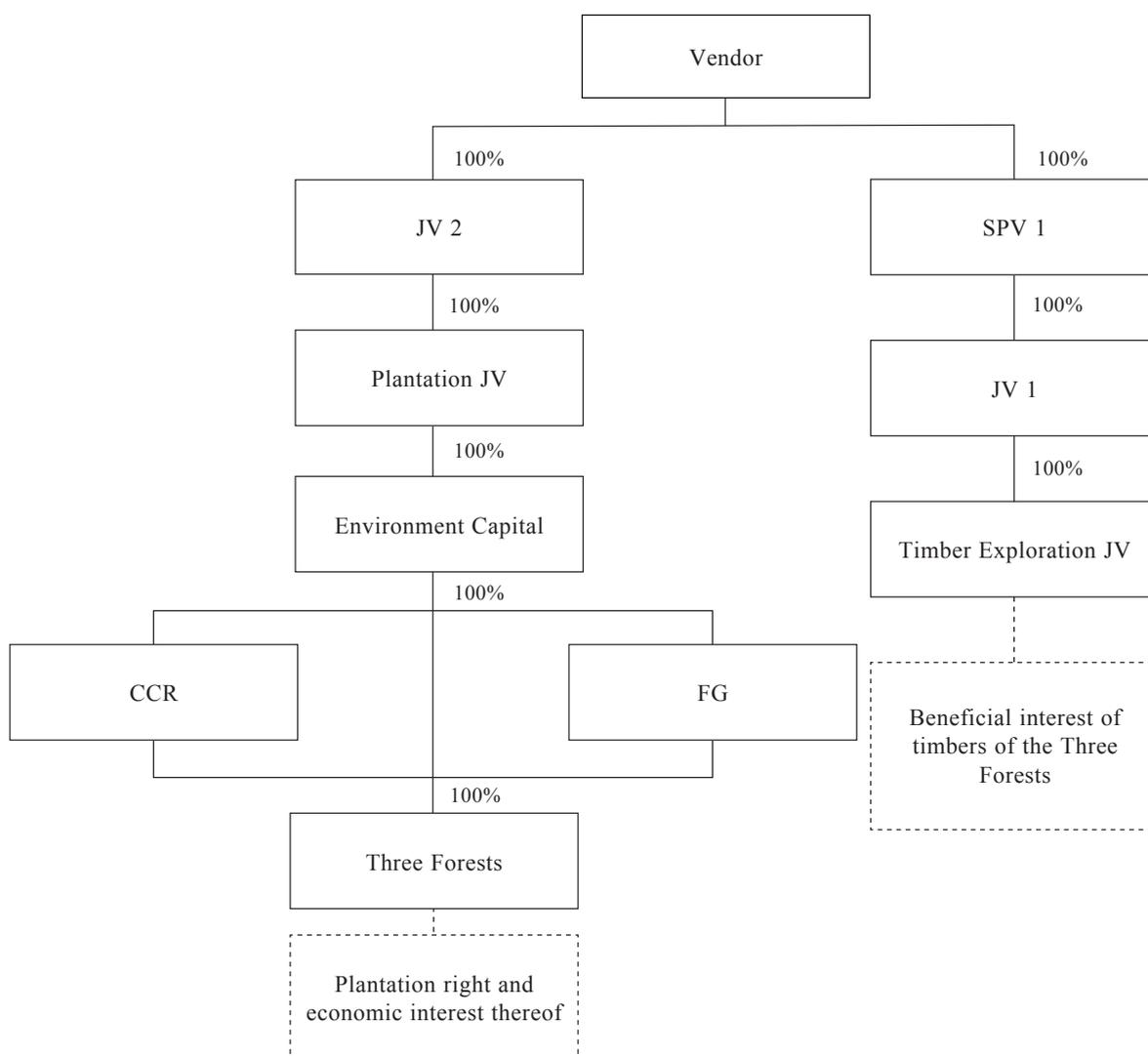
A SGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders for, among other things, the Subscription Agreement and the Plantation Agreement and the transactions contemplated thereunder by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have material interests in the Subscription Agreement and the Plantation Agreement and the transactions contemplated thereunder and therefore, no Shareholders are required to abstain from voting at the SGM to approve the resolutions.

GENERAL

The circular containing, among other things, further details regarding (i) the Subscription Agreement and the Plantation Agreement and other disclosure requirements under the GEM Listing Rules; and (ii) a notice of the SGM to be convened; and (iii) the corresponding proxy form, will be despatched to the Shareholders as soon as practicable.

BACKGROUND

The Vendor is the holding company of the Group's timber business and plantation business. The structure of the Group's timber business and plantation business as at the date of this announcement is illustrated below:



As at the date of this announcement, the Cambodian Subsidiaries have sub-concessed the concession right to log the timber standing on the Three Forests to the Timber Exploration JV in compliance with the Cambodian laws and regulations and the Timber Exploration JV is entitled to the economic benefit derived from the timber logged therefrom (the “Restructuring”). As a result, the Timber Exploration JV has become the Group's principal subsidiary for carrying out the timber business and the Plantation JV has become the Group's principal subsidiary for carrying out the plantation business.

THE SUBSCRIPTION AGREEMENT

Background

Following the entering into of a subscription agreement by the Group and investors for the restructuring of the Group's forestry and agricultural businesses in July 2015, the Company, in May 2016, announced that it was procuring Subscriber B which possesses substantial experience and extensive business network in the timber logging and wood processing industry to become a shareholder of its forestry and agricultural businesses. After negotiation among the Group and the Subscribers, there were changes in certain subscribers and certain terms offered by the Subscribers.

Date

19 September 2016

Parties to the Subscription Agreement

In respect of the formation of the Timber Exploration JV

- (i) The Vendor, as the vendor;
- (ii) Subscribers B, D and E; and
- (iii) The ultimate shareholders of Subscribers B, D and E.

In respect of the formation of the Plantation JV

- (i) The Vendor, as the vendor;
- (ii) Subscribers A, B and C; and
- (iii) The ultimate shareholders of Subscribers A, B and C.

Each of Subscribers A, B, C, D and E is an investment holding company. Save for the beneficial owner of Subscriber B who, together with his two associates, have become the directors of certain subsidiaries of the Group, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Subscribers A, C, D and E and their respective ultimate beneficiary owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

Conditions Precedent

Completion of the Subscription Agreement is subject to the following conditions precedent being fulfilled or waived (as the case may be):

On part of the Vendor

- (i) if required, the passing by the Shareholders at the SGM to be convened of an ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder;
- (ii) each of the Cambodian Subsidiaries having obtained the necessary approval and consents from their respective board of directors in respect of the Subscription Agreement and the transactions contemplated thereunder;
- (iii) the Vendor having obtained the necessary approval and consents in respect of the transactions contemplated under the Subscription Agreement (namely the consent from the Stock Exchange and the approval of the board of directors of the Vendor); and
- (iv) there being no matter which would result in the breach of the below warranties provided by the Company under the Subscription Agreement and such warranties shall remain true and accurate up to completion of the Subscription Agreement:
 - (a) the Vendor has full capacity to execute the Subscription Agreement and perform the obligations hereunder (including but not limited to the transfer of all rights of and interests in the shares of SPV1, JV1, JV2, Timber Exploration JV and Plantation JV to the Subscribers);
 - (b) the Subscription Agreement constitutes the legal, valid and binding obligations of the Vendor upon execution;
 - (c) save as disclosed in the Subscription Agreement, any impact, change, consequence or outcome incurred or caused by or arising or resulted from any condition or conduct of any of the Vendor's subsidiaries and the Vendor before completion of the Subscription Agreement (whether it happens before completion of the Subscription Agreement) will not incur any adverse or negative impact or burden on or debts or liabilities to any of the Vendor's subsidiaries and the Vendor or the Subscribers;
 - (d) the information of the Vendor's subsidiaries (including but not limited to the company details, group structure and shareholding structure of the Vendor and its subsidiaries) is complete, accurate and not misleading in all respects;

- (e) the Company is the sole legal and beneficial owner of SPV1, JV1, JV2, Timber Exploration JV and Plantation JV. SPV1, JV1, JV2, Timber Exploration JV and Plantation JV have not carried out any business and employ any staff, and do not have any shareholder's loan or any liabilities;
- (f) each subsidiaries of the Vendor is a company with limited liability and incorporated under the laws of its place of incorporation, and has obtained all the necessary approvals, authorizations or licenses for its establishment from the government authorities. Each subsidiaries of the Vendor has valid business license and its business fall under the scope of business contained in its business license;
- (g) no order has been made and no resolution has been passed for the winding up of any subsidiaries of the Vendor or for a provisional liquidator to be appointed in respect of any subsidiaries of the Vendor and no petition has been presented and no meeting has been convened for the purpose of winding up any subsidiaries of the Vendor;
- (h) save for the subsidiaries disclosed in the Subscription Agreement, the Vendor does not have any branch or subsidiaries;
- (i) the subsidiaries of the Vendor have complied with its memorandum and articles of association in all aspects, and have full power, authorization and legal right to own its assets and its business, and all activities, agreements, commitments or rights of the company are not exceeding authorization or without permission; and
- (j) if any of the warranties of the Vendor under the Subscription Agreement is untrue, misleading or incorrect or not sufficiently performed in any material aspect (including the consequence or impact so incurred or found after the completion of the transaction), the Vendor shall bear all losses and costs and fees for indemnifying the same so incurred by the subsidiaries of the Vendor or the Subscribers, including any claims made by any person against any of the subsidiaries of the Vendor or the Subscribers, provided that the total amounts being claimed shall not exceed the total amount of the loan already provided to Timber Exploration JV under the Subscription Agreement by the Subscribers at the time the Subscribers makes such claim.

On part of the Subscribers

- (v) the Vendor having conducted and completed due diligence on the Subscribers and the Vendor being satisfied with the results of such due diligence in its absolute discretion;
- (vi) the Subscribers having obtained the necessary approval and consents from their respective board of directors in respect of the transactions contemplated under the Subscription Agreement; and

(vii) there being no matters which would result in the breach of the below warranties provided by the Subscribers under the Subscription Agreement and such warranties shall remain true and accurate up to completion of the Subscription Agreement:

- (a) the Subscribers are entities incorporated and legally subsisting under the laws of its place of incorporation;
- (b) the Subscribers have full capacity to execute the Subscription Agreement and perform the obligations hereunder (including but not limited to the obligations to pay the consideration and execute the share charge and perform the obligations thereunder);
- (c) the Subscription Agreement constitutes the legal, valid and binding obligations of the Subscribers upon execution;
- (d) each of the Subscribers is an independent third party with no relationship with any director, chief executive officer, senior management persons or major shareholder (or any of his connected person or associate) of the Company and any of its subsidiaries or any of their respective holding companies or subsidiaries or associated companies;
- (e) the execution and delivery of, and the performance by the Subscribers of its obligations under and in compliance with the provisions of, the Subscription Agreement will not result in:
 - (i) a breach of any provision of the Memorandum or Articles of Association (or equivalent documents) of the Subscribers; or
 - (ii) a breach of, or constitute a default under, any instrument to which the Subscriber is a party or by which the Subscriber is bound; or
 - (iii) a violation of any law or regulation in any jurisdiction having the force of law or of any order, judgment or decree of any court or governmental agency or agreement to which the Subscriber is a party or by which the Subscriber is bound.

As at the date of this announcement, conditions (ii) and (vi) have been fulfilled. If the conditions set out above are not fulfilled or as the case may be, waived by the Vendor (in respect of conditions numbered (v) and (vii)) or by the Subscribers (in respect of condition numbered (iv)) on or before 31 October 2016, or such other date as the Vendor and the Subscribers may agree, the obligations of the parties to the Subscription Agreement shall cease and neither party to the Subscription Agreement shall have any claims under the Subscription Agreement against the others, save in respect of any antecedent breaches of the Subscription Agreement.

The Subscription

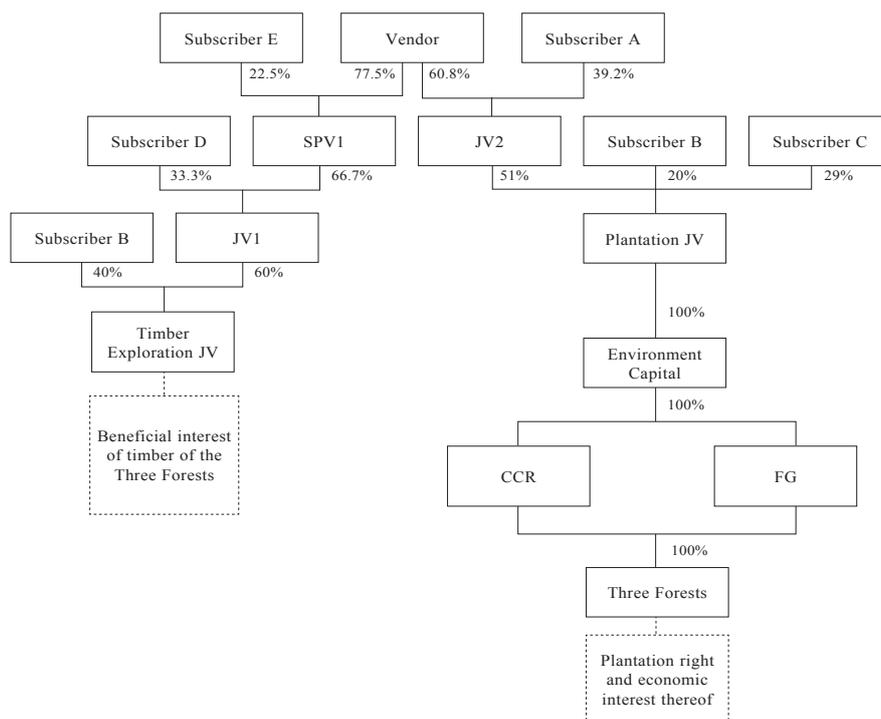
Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to dispose of, and each of Subscribers A, B C, D and E has agreed to purchase, the equity interest in SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV (as the case may be), details of which are as follows:

- (i) the Vendor will procure SPV1 to dispose of, and Subscriber D will acquire, 333 shares of JV1 (representing 33.3% equity interest in JV1) for a consideration of US\$333 (representing the nominal value of the shares of JV1 acquired);
- (ii) the Vendor will dispose of, and Subscriber A will acquire, 392 shares of JV2 (representing 39.2% equity interest in JV2) for a consideration of US\$392 (representing the nominal value of the shares of the JV2 acquired);
- (iii) the Vendor will procure JV1 to dispose of, and Subscriber B will acquire, 400 shares of the Timber Exploration JV (representing 40% equity interest in the Timber Exploration JV) for a consideration of US\$400 (representing the nominal value of the shares of the Timber Exploration JV acquired);
- (iv) the Vendor will dispose of, and Subscriber E will acquire, 225 shares of the SPV1 (representing 22.5% equity interest in SPV1) for a consideration of US\$225 (representing the nominal value of the shares of SPV1 acquired);
- (v) the Vendor will procure JV2 to dispose of, and Subscriber B will acquire, 200 shares of the Plantation JV (representing 20% equity interest in the Plantation JV) for a consideration of US\$200 (representing the nominal value of the shares of the Plantation JV acquired); and
- (vi) the Vendor will procure JV2 to dispose of, and Subscriber C will acquire, 290 shares of the Plantation JV (representing 29% equity interest in the Plantation JV) for a consideration of US\$290 (representing the nominal value of the shares of the Plantation JV acquired).

Completion

Completion of the Subscription Agreement shall take place on the date on which the conditions precedent have been satisfied (or waived as applicable) in full. Upon completion of the Subscription, SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV will become non-wholly owned subsidiaries of the Company.

Set out below is the structure of the Group following completion of the Subscription Agreement:



Composition of the boards and management

Following completion of the Subscription Agreement, the composition of the respective boards of directors of SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV will be as follows:

- (i) the board of directors of SPV1 will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman) and the remaining 1 will be nominated by Subscriber E. Neither party may change the respective director(s) nominated by it without the written consent of both parties;
- (ii) the board of directors of JV1 will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman) and the remaining 1 will be nominated by Subscriber D. Neither party may change the respective director(s) nominated by it without the written consent of both parties;
- (iii) the board of directors of JV2 will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman) and the remaining 1 will be nominated by Subscriber A. Neither party may change the respective director(s) nominated by it without the written consent of both parties;
- (iv) the board of directors of the Timber Exploration JV will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman), and the remaining 1 will be nominated by Subscriber B. Neither party may change the respective director(s) nominated by it without the written consent of both parties;

- (v) the board of directors of the Plantation JV will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman), and the remaining 1 will be nominated by Subscriber B. Neither party may change the respective director(s) nominated by it without the written consent of both parties;
- (vi) the board of directors of each of the Cambodian Subsidiaries will comprise 3 directors, of which 2 will be nominated by the Vendor (including the chairman) and 1 will be nominated by Subscriber B. Neither party may change the respective director(s) nominated by it without the written consent of both parties; and
- (vii) the board of directors of the Vendor will comprise 2 directors upon completion and no change shall be made to the member of the board of directors of the Vendor unless with the prior written consent of Subscriber E;

The Timber Exploration JV will establish an operation committee responsible for the Group's timber business and comprising three members, of which two members (including the head of the operation committee) will be nominated by Subscriber B and the remaining member will be nominated by the Vendor. Neither party may change the respective member(s) of the operation committee nominated by it without the written consent of both parties.

Consideration for the Subscription Agreement

As mentioned above, the consideration for the acquisition of shares in SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV by the Subscribers will be the nominal value of the issued shares of SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV and amount to US\$1,840 in aggregate. The consideration will be satisfied in cash and applied as general working capital of the Group. The consideration was determined after arm's length negotiation amongst the Group and the Subscribers with reference to the Subscribers' contribution towards the development of the Group's forestry and agricultural businesses in Cambodia.

The Undertakings

1. Contribution of working capital to the Group's timber business

The Timber Business Loan will be provided as to HK\$30 million, HK\$15 million and HK\$6.75 million by Subscribers B, D and E respectively. Subscriber B has unconditionally and irrevocably undertaken to the Vendor that it shall contribute (i) HK\$15 million on completion of the Subscription Agreement; and (ii) the remaining HK\$15 million within three months from completion of the Subscription Agreement. In order to further accommodate the working capital requirement for the growth of the timber business of the Timber Exploration JV, Subscribers D and E have unconditionally and irrevocably undertaken to the Vendor that following completion of the Subscription Agreement, they will, depending on the then financial need of the Timber Exploration JV and upon the request of the Group, provide their portions of the Timber Business Loan to the Timber Exploration JV by stages.

The Timber Business Loan so provided will be unsecured, interest free and have a term of ten years, and will only be repaid under the conditions that profit has been generated from the Timber Exploration JV and there is sufficient working capital for the Timber Exploration JV. Although the level of such working capital is not specified in the Subscription Agreement, the board of directors of the Timber Exploration JV will, after considering the business performance, development plan and the then working capital requirement of the Timber Exploration JV from time to time, determine the repayment (amount and schedule) of the Timber Business Loan. In the event that there remains any outstanding Timber Business Loan payable to Subscribers B, D and E upon its expiry, the term of the Timber Business Loan will be extended for another 10 years and the terms will remain unchanged, and if there still remains any outstanding amount, it will become due and payable upon expiry of the second 10-year period.

2. Guaranteed profit of the Timber Exploration JV and undertaking

Subscribers B, D and E have guaranteed and undertaken that for the six-month period after completion of the Subscription Agreement, the six-month period commencing on the seventh month after completion of the Subscription Agreement and the twelve-month period commencing on the thirteen month after completion of the Subscription Agreement (collectively, the "Guaranteed Periods"), the Timber Exploration JV's audited net profit after tax derived from the timber logging business will not be less than HK\$5 million, HK\$5 million and HK\$10 million, respectively (collectively, the "Guaranteed Profit").

Subscribers B, D, and E further guarantee and undertaken that unless with prior consent by the Vendor, (i) there will not be any change in the legal owner, beneficial owner or shareholding structure (including but not limited to issue of any new shares, grant of options, share redemption and buyback) of the Timber Exploration JV, JV1 and SPV1; (ii) there will not be any change in the director(s) of the Timber Exploration JV, JV1 and SPV1 nominated by them respectively; and (iii) they will neither carry out any business and make borrowings nor dispose of, transfer or pledge any of their respective equity interest in the Timber Exploration JV, JV1 and SPV1. In addition, the beneficial owners of Subscribers B, D, and E undertake that without the prior consent of the Vendor, they will not dispose of, transfer or pledge their respective equity interest in Subscribers B, D, and E and will not appoint new director(s) and change the respective directors of Subscribers B, D, and E.

Each of Subscribers B, D and E shall execute a share charge, pursuant to which Subscriber E shall charge its 22.5% equity interest in SPV1, Subscriber D shall charge its 33.3% equity interest in JV1, and Subscriber B shall charge its 40% equity interest in the Timber Exploration JV, in favour of the Vendor as a security for the fulfilment of the Guaranteed Profit and the above guarantee and undertaking. The aforesaid share charges shall be released if, at the discretion of the Vendor, there is no adverse change in the business and financial performance of the Timber Exploration JV during the period of 24 months following the end of the Guaranteed Periods. In addition, Subscribers D and A shall execute a voting right assignment to assign the voting right of their respective 33.3% and 39.2% equity interests in JV1 and JV2 to the Vendor.

3. *Establishment of a management team to carry out the timber business under the Timber Exploration JV*

The Subscribers have undertaken to establish a management team of the Timber Exploration JV for carrying out the timber business.

4. *Contribution of general working capital to the Plantation JV and share charges*

Subscribers A, B and C have unconditionally and irrevocably undertaken to the Vendor respectively that they will provide the Plantation JV Loan to the Plantation JV following completion of the Subscription Agreement. The Plantation JV Loan will be provided as to HK\$3.5 million, HK\$7.5 million and HK\$8 million by Subscriber A, B and C, respectively. The Plantation JV Loan so provided will be unsecured, interest free and have a term of ten years, and will only be repaid under the conditions that profit has been generated from the Plantation JV and there is sufficient general working capital for the Plantation JV. In the event that there remains any outstanding Plantation JV Loan payable to Subscribers A, B and C upon its expiry, the Plantation JV Loan will remain to be unsecured and interest free and its term will be extended for another 10 years.

Subscribers A, B, and C further guarantee and undertaken that unless with prior consent by the Vendor, (i) there will not be any change in the legal owner, beneficial owner or shareholding structure (including but not limited to the issue of any new shares, nor grant of options, share redemption and buyback) of JV2 and the Plantation JV; (ii) there will not be any change in the director(s) of JV2 and the Plantation JV nominated by them respectively; and (iii) they will neither carry out any business and make borrowings nor dispose of, transfer or pledge any of their respective equity interest in JV2 and the Plantation JV. In addition, each of the beneficial owners of Subscribers A, B, and C undertake that without the prior consent of the Vendor, they will not dispose of, transfer or pledge their respective equity interest in Subscribers A, B, and C, and will not appoint new director(s) and change their respective director(s) of Subscribers A, B, and C. The Vendor also undertakes that unless with the prior consent by the beneficial owners of Subscribers C and E, it will not dispose, transfer or pledge any of its equity interest in SPV1 and JV2; or demand SPV1 and JV2 to issue new shares, grant of options, share redemption or redemption.

In addition, Subscribers A, B and C shall charge their respective equity interest in JV2 and the Plantation JV in favour of the Vendor as a security for fulfilment of the above guarantees and undertakings during the first 48-month period after completion of the Plantation Agreement.

In the event that there is any penalty imposed (the amount as determined by the Cambodian government) or any of the Economic Land Concessions of the Three Forests is confiscated by the Cambodian government for reason that the annual plantation volume of the Three Forests is not met, Subscribers A, B and C will compensate the loss incurred by the Group. On the other hand, so long as Subscriber B remains as a shareholder of the Group's plantation business, the controlling interest and the legal representative of the Cambodian Subsidiary holding the Economic Land Concession in respect of the Forest where the Group's wood processing plant is located cannot be transferred/changed to any other third parties without Subscriber B's consent.

In addition to the Plantation JV Loan, Subscribers A, B and C shall, as long as they remain as shareholders of JV2 and the Plantation JV, in additional to external borrowings (if any), contribute additional fund to the Plantation JV proportional to their effective shareholding in the Plantation JV. Such funds to be contributed by Subscribers A, B and C represent their long term investment in the Group's plantation business and the amount will depend on the then financial needs of the plantation business and the amount of external borrowings available.

5. *Non-competition*

The ultimate beneficial owners of the Subscribers will not and will procure (i) the relevant Subscriber; (ii) and their respective subsidiaries or associate companies; (iii) companies controlled by them; or (iv) the management, the core employees or their spouses, children and relatives of the companies in (i) to (iii) above; (v) their spouses, children and relatives; and (vi) the companies jointly/solely controlled by any of (i) to (v) above (collectively, "Associates"), not to engage in business(es) which will compete or potentially compete with the Group's business(es) during the time when each of the them remains as a shareholder of any member of the Group.

In the event that an ultimate beneficial owner of a Subscriber or their Associates has been introduced with business opportunities which will compete or potentially compete with the Group's businesses, they shall and procure their Associates to (as the case may be) promptly introduce such business opportunities to the Group and shall not take up the opportunities even if the Group forgoes such opportunities.

THE PLANTATION AGREEMENT

Date:

27 November 2015 (as supplemented on 19 September 2016)

Parties to the Plantation Agreement

- (i) Environment Capital, as the vendor;
- (ii) Plantation Partner, as the purchaser

The Plantation Partner will acquire and Environment Capital will dispose of 49% equity interest in each of CCR and FG.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, the Plantation Partner and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The Plantation Partner has an operating history of more than 15 years in the forestry business in the Vietnam, Cambodia and Lao. The Plantation Partner is a member of a private group engaged in construction, retail, forestry and natural resources businesses. The Plantation Partner is experienced in plantation of rubber trees, palm trees, cassava and encalyptus in Cambodia and maintains a good relationship with MAFF. The Plantation Partner shall assist the Group in establishing a management and advisory team (as detailed below) to operate the plantation business.

Conditions Precedent

Completion of the Plantation Agreement is subject to the following conditions precedent being fulfilled or waived (as the case may be):

On part of Environment Capital:

- (i) the Plantation Partner being satisfied with the results of the due diligence conducted on Environment Capital;
- (ii) completion of the Subscription Agreement;

- (iii) Environment Capital and its subsidiaries (together, the “Environment Capital Group”), having obtained all the necessary consents and approvals in relation to the transactions contemplated under the Plantation Agreement (including the consents and approvals from the regulatory authorities (such as the Stock Exchange) and the Shareholders);
- (iv) there being no matters facts or circumstance which would constitute or may constitute in the breach of the warranties provided by Environment Capital under the Plantation Agreement;
- (v) the below warranties provided by Environment Capital under the Plantation Agreement remain true and accurate and not misleading until completion of the Plantation Agreement;
 - (a) Environment Capital has the full capacity to execute the Plantation Agreement and perform its obligation thereunder;
 - (b) the Plantation Agreement constitutes a legal, valid and binding obligations of Environment Capital; and
 - (c) there will be no material change to the Environment Capital Group before completion of the Plantation Agreement.

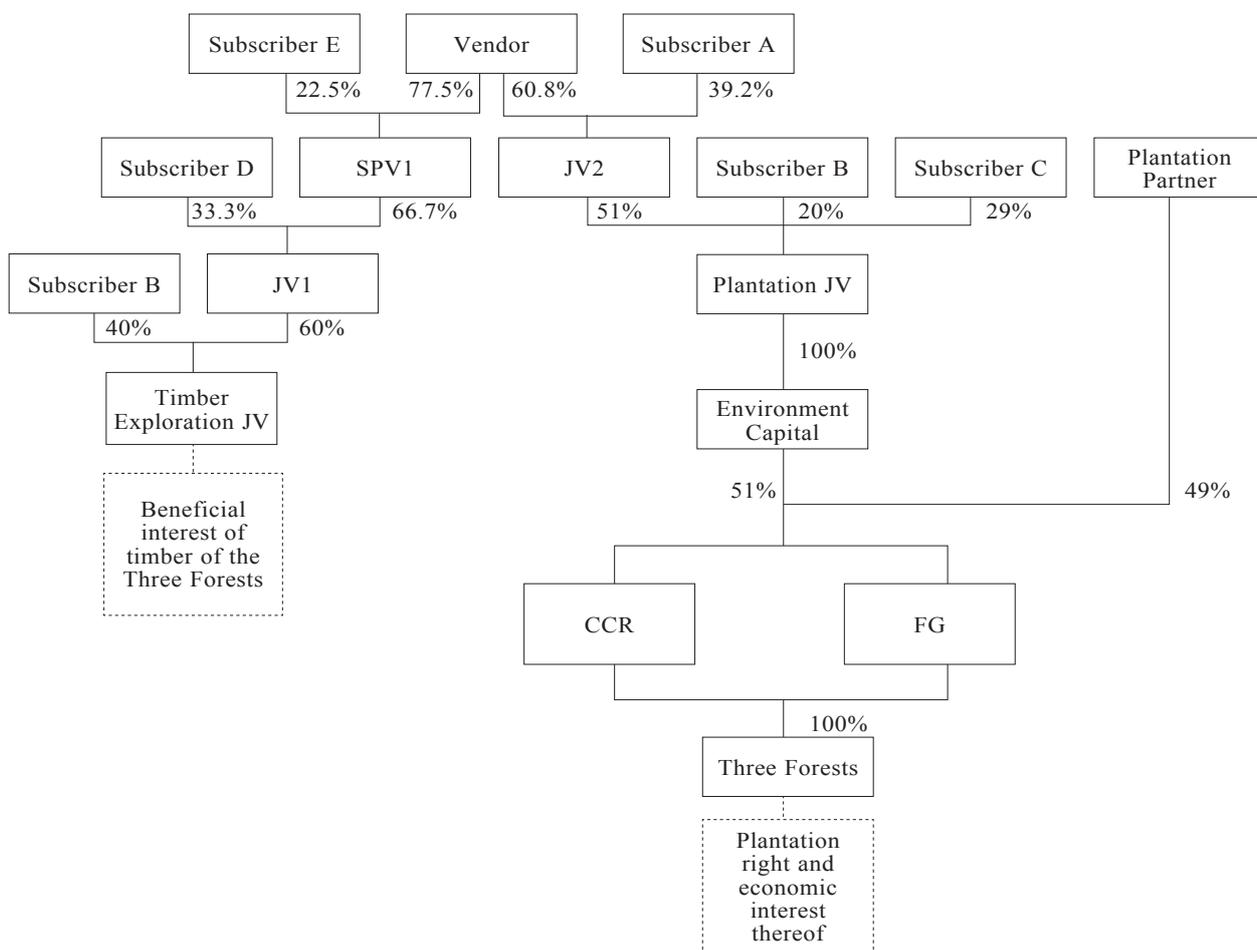
On part of the Plantation Partner:

- (vi) Environment Capital being satisfied with the results of the due diligence conducted on the Plantation Partner;
- (vii) the Plantation Partner having obtained all the necessary consents and approvals from its board of directors in relation to the transactions contemplated under the Plantation Agreement;
- (viii) there being no matters facts or circumstance which would constitute or may constitute in the breach of the warranties provided by the Plantation Partner under the Plantation Agreement;
- (ix) the below warranties provided by the Plantation Partner under the Plantation Agreement remain true and accurate and not misleading until completion of the Plantation Agreement;
 - (a) the Plantation Partner is an entity incorporated and legally subsisting under the laws of Vietnam;
 - (b) the Plantation Partner has the full capacity to execute the Plantation Agreement; and
 - (c) the Plantation Agreement constitutes a legal, valid and binding obligations of the Plantation Partner.

As at the date of this announcement, condition (vii) has been satisfied. If the conditions set out above are not fulfilled or as the case may be, waived by Environment Capital (in respect of conditions numbered (vi), (viii) and (ix) or by the Plantation Partner (in respect of conditions numbered (i), (iv) and (v)) on or before 31 October 2016, or such other date as Environment Capital and the Plantation Partner may agree, the obligations of the parties to the Plantation Agreement shall cease and neither party to the Plantation Agreement shall have any claims under the Plantation Agreement against the others, save in respect of antecedent breaches of the Plantation Agreement.

Completion

Following completion of the Plantation Agreement, FG and CCR will become non wholly-owned subsidiaries of the Vendor. Set out below is the structure of the Group following completion of the Subscription Agreement and the Plantation Agreement



Consideration for the Plantation Agreement

The consideration for the acquisition of the 49% equity interest of each of CCR and FG shall be US\$1 each, and was determined based on arm's length negotiation between the Group and the Plantation Partner and the undertakings and the funding to be provided by the Plantation Partner as described below.

Board of directors

Following completion of the Plantation Agreement, each of the boards of directors of CCR and FG will comprise 5 directors, of which 3 directors (including the chairman of the board) will be nominated by Environment Capital and the remaining 2 directors will be nominated by the Plantation Partner.

Undertaking by the Plantation Partner

(i) Contribution of plantation business development fund

Pursuant to the Plantation Agreement, so long as the Plantation Partner remains a shareholder of CCR and FG, it shall contribute funding proportional to its shareholding in FG and CCR for developing the plantation business of the Plantation JV. Such fund will be contributed by Plantation Partner by stages and the amount will depend on the then financial needs of the Group's plantation business and the then amount of external borrowings available. Such fund represents the investment of the shareholders of CCR and FG in the Group's plantation business and may be contributed in the form of shareholders' loan or equity. There is no pre-set amount to be contributed and the actual amount will be determined and agreed amongst the parties to the Plantation Agreement.

(ii) Establishment of a management team for the Group's plantation business

The Plantation Partner shall establish a management team for the management and daily operation of the plantation business (including overseeing the plantation progress) of the Plantation JV and an advisory team for provision of technical support to the Group's plantation business (including but not limited to plantation skills, sourcing of plantation materials, sales network, etc.).

(iii) Annual plantation volume

The Plantation Partner will use its commercially reasonable endeavour to procure that the annual plantation volume shall not be less than (i) 1,200 hectares for 2016/2017; (ii) 1,800 hectares for 2017/2018; (iii) 2,500 hectares for 2018/2019; and (iv) 3,000 hectares for 2019/2020 and each year from 2021 to 2023, and has undertaken that in any event, the annual plantation volume shall not be less than those required by the Cambodian government from 2016 to 2023.

(iv) Share charge

The Plantation Partner shall charge its 49% equity interest in CCR and FG in favour of Environment Capital during the first 48-month period after completion of the Plantation Agreement. In the event that there is any penalty imposed (the amount as determined by the Cambodian government) or any of the Economic Land Concession of the Three Forests is confiscated by the Cambodian government for reason that the annual plantation volume for the Three Forests is not met, the Plantation Partner will compensate Environment Capital for such loss.

FINANCIAL IMPACT OF THE TRANSACTIONS UNDER THE SUBSCRIPTION AGREEMENT AND THE PLANTATION AGREEMENT

According to the audited financial information of the Group, the Environment Capital Group (including the financial information of all the Cambodian subsidiaries) recorded (i) loss before and after taxation of HK\$72.9 million and HK\$72.9 million for the year ended 31 December 2014, respectively; and (ii) loss before and after taxation of HK\$65.7 million and HK\$65.7 million for the year ended 31 December 2015, respectively. As at 31 December 2015, the net liabilities of the Environment Capital Group amounted to HK\$762.1 million (comprising an inter-company balance of HK\$956.2 million). For illustration purpose, the net asset value of SPV1 and the net liability value of JV2 would have been approximately HK\$289.8 million and HK\$114.7 million respectively if the Restructuring had been completed as at 31 December 2015. After completion of the Subscription Agreement and the Plantation Agreement, each of SPV1, JV1, JV2, the Timber Exploration JV, the Plantation JV, CCR and FG will be accounted for as non wholly-owned subsidiaries of the Group (in which the Group's effective interest will be 77.5%, 51.7%, 60.8%, 31.0%, 31.0%, 15.8% and 15.8% respectively) and their financials will remain to be consolidated in the Group's consolidated financial statements. As such, the transactions contemplated under the Subscription Agreement and the Plantation Agreement will effectively result in (i) the disposal of 69.0% of the Group's interest in the timber business to be carried out by the Timber Exploration JV and (ii) the disposal of 84.2% in the Group's interest in the plantation business to be carried out by the Plantation JV. It is estimated that the Group will incur a loss (as represented by a debit balance in the Group's equity) of approximately HK\$103 million.

BENEFIT OF AND REASONS FOR THE SUBSCRIPTION AGREEMENT AND THE PLANTATION AGREEMENT

The Group is principally engaged in (i) forestry and agricultural businesses (sale of wood products and agricultural produce) and (ii) resources and logistics business.

Although the Group will incur an one-off substantial loss as a result of the Subscription Agreement and the Plantation Agreement, the Company considers that a greater weight should be put on the benefit of the Subscription Agreement and the Plantation Agreement. The Subscription Agreement and the Plantation Agreement will, as a whole, represent a business restructuring of the Group and enable it to make alliance with a group of interested investors with substantial experience and business network in the timber and plantation businesses to ramp up the business scale of the Group such that the Group will be able to fulfil the plantation commitment required by the Cambodian government.

Based on the above, the Company is of the view that the transactions contemplated under the Subscription Agreement and the Plantation Agreement are fair and reasonable and the entering into of the Subscription Agreement and the Plantation Agreement is in the interest of the Company and the Shareholders as a whole.

IMPLICATION OF THE GEM LISTING RULES

As the applicable ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Subscription Agreement and the Plantation Agreement are more than 25% but less than 75%, the transactions contemplated under the Subscription Agreement and the Plantation Agreement will together constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. Since the beneficial owner of Subscriber B and two of his associates have become the directors of certain subsidiaries of the Group, the transactions contemplated under the Subscription Agreement will constitute a connected transaction of the Company. However, given that (i) the transactions contemplated under the Subscription Agreement represent a connected transaction between the Group and its connected persons at the subsidiary level of the Group and have been approved by the Board; and (ii) the independent non-executive Directors have confirmed that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole, the transactions contemplated under the Subscription Agreement will be exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

SGM

An SGM will be convened at which resolution(s) will be proposed to seek the approval of the shareholders of the Company for, among other things, the Subscription Agreement and the Plantation Agreement and the transaction contemplated thereunder by way of a poll. To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, no Shareholders have material interests in the Subscription Agreement and the Plantation Agreement and the transactions contemplated thereunder and therefore, no Shareholders are required to abstain from voting at the SGM to approve the relevant resolution(s) regarding the Subscription Agreement and the Plantation Agreement and the transactions contemplated thereunder.

GENERAL

The circular containing, among other things, further details regarding (i) the Subscription Agreement and the Plantation Agreement and other disclosure requirements under the GEM Listing Rules; and (ii) a notice of the SGM to be convened regarding the transactions contemplated under the Subscription Agreement and the Plantation Agreement and (iii) the corresponding proxy form, will be despatched to the Shareholders as soon as practicable.

DEFINITION

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings when used herein:

“associate(s)”	having the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Cambodia”	The Kingdom of Cambodia
“Cambodian Subsidiaries”	the subsidiaries of the Group incorporated in Cambodia (including (Cambodia) Tong Min Group Engineering Co., Ltd., Agri-Industrial Crop Development (Cambodia) Co., Ltd. and Crops & Land Development Cambodia Co., Ltd.)
“CCR”	China Cambodia Resources Limited, a company incorporated in the BVI limited liability and wholly-owned by Environment Capital
“Company”	IR Resources Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules

“Director(s)”	the directors of the Company
“Economic Land Concession”	the economic land concession granted by the Cambodian government which allows the beneficiaries to use the state land of Cambodia for agriculture and/or industrial agricultural exploitation
“Environment Capital”	Environment Capital Prosperity Sports Investment Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“FG”	Forest Glen Group Limited, a company incorporated in the BVI and wholly-owned by Environment Capital
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV1”	a wholly-owned subsidiary of the Group as at the date of this announcement and, following completion of the Subscription Agreement, the equity interest of which will be owned by SPV1 and Subscriber D
“JV2”	a wholly-owned subsidiary of the Group as at the date of this announcement and, following completion of the Subscription Agreement, the equity interest of which will be owned as to 60.8% and 39.2% by the vendor and Subscriber A respectively
“Lao”	Lao People’s Democratic Republic
“MAFF”	The Ministry of Agriculture, Forestry and Fisheries of Cambodia
“Plantation Agreement”	the plantation agreement dated 27 November 2015 (as supplemented from time to time) and entered into between the Group and the Plantation Partner in relation to the Group’s plantation business in the Three Forests
“Plantation JV Loan”	the loan in the aggregate amount of HK\$19 million to be provided by Subscribers A, B and C to the Plantation JV pursuant to the Subscription Agreement

“Plantation JV”	a wholly-owned subsidiary of the Group as at the date of this announcement and, following completion of the Subscription Agreement, the equity interest of which will be owned among JV2, Subscribers B and C respectively
“Plantation Partner”	Cong Ty TNHH Mtv Phat Phat Trien, a company incorporated in Vietnam with limited liability
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes the Macau Special Administrative Region of the PRC, Hong Kong and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened, for the Shareholders to consider, and if thought fit, approve the Subscription Agreement and the Plantation Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares from time to time
“SPV1”	a wholly-owned subsidiary of the Group as at the date of this announcement and, following completion of the Subscription Agreement, the equity interest of which will be owned by the Vendor and Subscriber E
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Rosy Charm Limited, a company incorporated in the BVI with limited liability
“Subscriber B”	Baokang Enterprises Limited, a company incorporated in the BVI with limited liability
“Subscriber C”	Spring Well International Limited, a company incorporated in Anguilla with limited liability
“Subscriber D”	Oriental Elite Holdings Limited, a company incorporated in the BVI with limited liability

“Subscriber E”	Oceanic Knight Limited, a company incorporated in Samoa with limited liability
“Subscribers”	collectively or individually referred to as Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E
“Subscription Agreement”	the subscription agreement dated 19 September 2016 and entered into between the Company and the Subscribers in relation to the Subscription
“Subscription”	the acquisition of shares in SPV1, JV1, JV2, the Timber Exploration JV and the Plantation JV by the Subscribers as contemplated under the Subscription Agreement
“Three Forests”	the three forests (or each, the “Forest”) located in Kratie District, Kratie Province, Cambodia, the underlying Economic Land Concessions of which are held by the Group
“Timber Business Loan”	the loan in the aggregate amount of HK\$51.75 million to be provided by Subscribers B, D and E to the Timber Exploration JV pursuant to the Subscription Agreement
“Timber Exploration JV”	a wholly-owned subsidiary of the Group as at the date of this announcement and, following completion of the Subscription Agreement, the equity interest of which will be owned among the Group and the relevant Subscribers
“USD”	United States Dollars, the lawful currency of the United States of America
“Vendor”	Green Resources Navigator International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Vietnam”	Socialist Republic of Vietnam
“%”	per cent.

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

Hong Kong, 19 September 2016

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

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>.