# IR RESOURCES LIMITED
# 同仁資源有限公司

*(Incorporated in the Bermuda with limited liability)*

**(Stock Code: 8186)**

## 2016 FINAL RESULTS

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM is positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange 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.*

*This announcement, for which the board (the "Board") of directors (the "Directors") of IR Resources Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs: (1) the information contained in this announcement 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 announcement misleading.*

The Board hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **REVENUE** | 5 | **45,482** | 38,914 |
| Cost of sales | 6 | **(39,509)** | (28,096) |
| **Gross profit** | | **5,973** | 10,818 |
| Other income and gains | 5 | **5,260** | 653 |
| Administrative expenses | | **(60,529)** | (15,310) |
| Finance costs | 7 | **(14,186)** | (29,162) |
| Impairment loss on intangible assets | 6,11 | **(265,590)** | — |
| Share of loss of an associate | | **(4)** | — |
| **LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | 6 | **(329,076)** | (33,001) |
| Income tax expenses | 8 | **(1,384)** | (1,693) |
| **LOSS FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(330,460)** | (34,694) |
| **DISCONTINUED OPERATION** | | | |
| Loss for the year from a discontinued operation: | | | |
| Share of loss of associates | | — | (3) |
| Loss on disposal of associates | | — | (386) |
| **LOSS FOR THE YEAR FROM DISCONTINUED OPERATION** | | — | (389) |
| **LOSS FOR THE YEAR** | | **(330,460)** | (35,083) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

| | Notes | **2016** | 2015 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | **(317,743)** | (35,083) |
| Non-controlling interests | | **(12,717)** | — |
| | | **(330,460)** | (35,083) |
| | | ***HK cents*** | *HK cents* |
| | | | (Restated) |
| **Basic loss per share** | *10* | | |
| For loss for the year | | **(73.90) cents** | (39.84) cents |
| For loss from continuing operations | | **(73.90) cents** | (39.40) cents |
| **Diluted loss per share** | *10* | | |
| For loss for the year | | **(73.90) cents** | (39.84) cents |
| For loss from continuing operations | | **(73.90) cents** | (39.40) cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2016*

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **LOSS FOR THE YEAR** | **(330,460)** | (35,083) |
| **OTHER COMPREHENSIVE INCOME** | | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | |
| Exchange differences on translation of foreign operations | **277** | (393) |
| Exchange fluctuation reserve realised upon disposal of associates | **—** | 390 |
| *Less:* Income tax effect | **—** | — |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **277** | (3) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(330,183)** | (35,086) |
| Attributable to: | | |
| Equity holders of the Company | **(317,466)** | (35,086) |
| Non-controlling interests | **(12,717)** | — |
| | **(330,183)** | (35,086) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **22,736** | 14,600 |
| Biological assets | | **—** | — |
| Intangible assets | *11* | **41,574** | 307,164 |
| Interests in an associate | | **4** | — |
| Available-for-sale investments | | **30,500** | — |
| Total non-current assets | | **94,814** | 321,764 |
| **Current assets** | | | |
| Inventories | | **1,674** | — |
| Trade receivables | *12* | **887** | 13,983 |
| Prepayments, deposits and other receivables | | **4,642** | 4,592 |
| Cash and bank balances | | **86,406** | 4,246 |
| Total current assets | | **93,609** | 22,821 |
| **Current liabilities** | | | |
| Trade payables | *13* | **742** | 6,107 |
| Other loans, other payables and accruals | *14* | **49,391** | 157,746 |
| Tax payables | | **3,264** | 1,884 |
| Total current liabilities | | **53,397** | 165,737 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **40,212** | (142,916) |
| **Net assets** | | **135,026** | 178,848 |
| **EQUITY** | | | |
| Share capital | | **34,637** | 131,198 |
| Reserves | | **96,385** | 47,650 |
| Total equity attributable to: | | | |
| Equity holders of the Company | | **131,022** | 178,848 |
| Non-controlling interests | | **4,004** | — |
| **Total equity** | | **135,026** | 178,848 |

## 1. CORPORATE AND GROUP INFORMATION

IR Resources Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on the GEM. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 36/F., Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the biological assets, which are stated in the consolidated statement of financial position at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2016, the Group had cash and bank balances of approximately HK$86,406,000 (2015: HK$4,246,000) and recorded a consolidated net current assets of approximately HK$40,212,000 (2015: consolidated net current liabilities of approximately HK$142,916,000).

## 3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's consolidated financial statements.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 (2011) | Equity Method in Separate Financial Statements |
| Annual Improvements 2012-2014 cycle | Amendments to a number of HKFRSs |

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

    (i) the materiality requirements in HKAS 1;

    (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

    (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

    (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

    Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) Amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for an accordance with HKAS 41. The amendments have had no significant impact on the Group's consolidated financial statements.

(d) Amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can chose for these investments either:

    (i) at cost;

    (ii) in accordance with HKFRS 9 (or HKAS 39); or

    (iii) using the equity method as described in HKAS 28.

    The amendments have had no significant impact on the Group's consolidated financial statements.

## 3.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[2] |
| HKFRS 9 | Financial Instruments[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transcation; the classification of a share-based payment transaction with net settlement features for withholdlding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment tranascation when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are moedified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction for the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, brining together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising fro the adoption of HKFRS 9 are summarised as follows:

**(a) Classification and measurement**

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fiar value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Gorup expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

**(b) Impairment**

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HFKRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quanititative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estmates. The standard will supersede all current revenue recognition requirments under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish betweenoperating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group has extended its business into the operation of financial services and three (2015: two) reportable operating segments as follows:

(a) the forestry and agricultural segment is the timber logging, plantation and sales of wood and agricultural products;

(b) the resources and logistics segment is the trading of resources and the provision of logistics services business; and

(c) financial services segment is the provision of loan financing, which was commenced during the year.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income and finance costs, as well as, head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**Year ended 31 December 2016**

| | **Forestry and agricultural segment** *HK$'000* | **Resources and logistics segment** *HK$'000* | **Financial services segment** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales of wood and agricultural products | 37,894 | — | — | 37,894 |
| Sales of metallic resources | — | 7,588 | — | 7,588 |
| Loan interest income arising from financial services business | — | — | — | — |
| | 37,894 | 7,588 | — | 45,482 |

| | Forestry and agricultural segment HK$'000 | Resources and logistics segment HK$'000 | Financial services segment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment results** | (282,229) | 382 | (7) | (281,854) |
| Unallocated expenses | | | | (33,032) |
| Share of loss of an associate | | | | (4) |
| Loss from operations | | | | (314,890) |
| Finance costs | (13,553) | | — | (13,553) |
| Unallocated finance costs | | | | (633) |
| Loss before tax | | | | (329,076) |
| Income tax expenses | | | | (1,384) |
| Loss for the year | | | | (330,460) |
| **Segment assets** | 69,463 | 12,085 | 3,002 | 84,550 |
| Unallocated assets | | | | 103,873 |
| Total assets | | | | 188,423 |
| **Segment liabilities** | (38,064) | (6,971) | — | (45,035) |
| Unallocated liabilities | | | | (8,362) |
| Total liabilities | | | | (53,397) |
| **Other information** | | | | |
| Capital expenditure | 9,864 | — | — | 9,864 |
| Unallocated capital expenditure | | | | 30,508 |
| | | | | 40,372 |
| Depreciation and amortisation | 1,727 | — | — | 1,727 |
| Unallocated depreciation and amortisation | | | | 9 |
| | | | | 1,736 |
| Other income and gains | 3,243 | 1 | 3 | 3,247 |
| Unallocated other income and gains | | | | 2,013 |
| | | | | 5,260 |
| Impairment loss on intangible assets *(notes 6 and 11)* | (265,590) | — | — | (265,590) |
| Impairment loss on trade receivables *(notes 6 and 12)* | (4,717) | — | — | (4,717) |

**Year ended 31 December 2015**

No operating segment information was presented for the year ended 31 December 2015 as over 90% of the Group's revenue and assets related to the forestry and agricultural segment.

**Geographical information**

***(a) Revenue from external customers***

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **—** | — |
| Mainland China | **17,386** | — |
| Cambodia | **28,096** | 38,914 |
| | **45,482** | 38,914 |

The revenue information of continuing operations above is based on the locations of the customers.

**(b) Non-current assets**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **11** | 25 |
| Mainland | **3** | — |
| Cambodia | **64,300** | 321,739 |
| | **64,314** | 321,764 |

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets, if any.

**Information about a major customer**

Revenue from continuing operations of approximately HK$23,712,000 (2015: HK$14,835,000) was derived from sales by the forestry and agricultural segment to a single customer.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after trade discounts and related resources taxes, received and receivable from the independent third parties during the year.

An analysis of revenue, other income and gains is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sales of wood and agricultural products | **37,894** | 38,914 |
| Sales of metallic resources | **7,588** | — |
| Loan interest income arising from financial services business | **—** | — |
| Total revenue | **45,482** | 38,914 |
| **Other income and gains** | | |
| Bank interest income | **38** | — |
| Gain on exchange difference | **—** | 9 |
| Write back of other payables and accruals | **3,229** | — |
| Others | **1,993** | 644 |
| Total other income and gains | **5,260** | 653 |
| Total revenue, other income and gains | **50,742** | 39,567 |
| **Revenue** | | |
| Attributable to continuing operations reported in the consolidated statement of profits or loss | **45,482** | 38,914 |
| Attributable to discontinued operation | **—** | — |
| | **45,482** | 38,914 |
| **Other income and gains** | | |
| Attributable to continuing operations reported in the consolidated statement of profits or loss | **5,260** | 653 |
| Attributable to discontinued operation | **—** | — |
| | **5,260** | 653 |
| | **50,742** | 39,567 |

## 6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax is arrived at after charging/(crediting):

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Costs of sales: | | |
| Continuing operations | **39,509** | 28,096 |
| Discontinued operation | **—** | — |
| | **39,509** | 28,096 |
| Auditors' remuneration: | | |
| Annual audit | **920** | 939 |
| Other assurance services | **25** | 628 |
| | **945** | 1,567 |
| Amortisation of intangible assets *(note 11)* | **—** | — |
| Depreciation of property, plant and equipment* | **1,736** | 2,843 |
| Write off of other receivables | **39** | — |
| Impairment loss on trade receivables *(note 12)* | **4,717** | — |
| Impairment loss on intangible assets *(note 11)* | **265,590** | — |
| Loss on exchange difference | **21** | — |
| Minimum lease payments under operating leases: | | |
| Land and buildings | **659** | 618 |
| Staff costs (excluding directors' remuneration): | | |
| Wages and salaries* | **5,854** | 2,118 |
| Pension scheme contributions | **235** | 80 |
| Equity-settled share options expenses | **2,016** | — |
| | **8,105** | 2,198 |
| Write back of other payables and accruals | **(3,229)** | — |
| Bank interest income | **(38)** | — |

* Cost of inventories include approximately HK$58,000 (2015: HK$Nil) and HK$126,000 (2015: HK$Nil) relating to staff costs and depreciation. As the goods are not yet sold at the end of the reporting period, the amounts are included in the inventories.

## 7. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loan interest from a financial institution | **225** | — |
| Bank overdraft interest | **6** | — |
| Interest on the KW Loan *(as defined in note 14(a))* | **13,553** | 28,694 |
| Interest on the RC Loan *(as defined in note 14(b))* | **402** | 468 |
| | **14,186** | 29,162 |

## 8. INCOME TAX EXPENSES

**Hong Kong**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2016.

**PRC**

Under the Enterprise Income Tax Law, the Enterprise Income Tax ("EIT") has been provided at the rate of 25% during the year ended 31 December 2016. EIT has not been provided as the Group did not generate any assessable profits arising in the PRC during the year ended 31 December 2015.

**Cambodia**

Under the Cambodian Law on Taxation, the Cambodian corporate income tax ("CCIT") is calculated at a rate of 20%. CCIT has not been provided as the Group did not generate any assessable profits arising in Cambodia during the years ended 31 December 2015 and 2016.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **1,085** | 1,693 |
| PRC enterprise income tax | **299** | — |
| Cambodia | **—** | — |
| | **1,384** | 1,693 |
| Deferred tax | **—** | — |
| Total tax charge for the year | **1,384** | 1,693 |

## 9. DIVIDENDS

The directors did not recommend a final dividend for the year ended 31 December 2016 (2015: Nil).

## 10. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year and up to the date of this announcement.

The calculation of basic loss per share is based on:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation: | | |
| From continuing operations | **(317,743)** | (34,694) |
| From a discontinued operation | **—** | (389) |
| | **(317,743)** | (35,083) |

| | **Number of shares (in '000)** | |
|---|---|---|
| | **2016** | 2015 |
| | | (Restated) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation: | | |
| Issued ordinary shares at 1 January and 31 December | **429,992** | 88,058 |

The weighted average number of ordinary shares for the year ended 31 December 2016 has been adjusted for the share consolidation which was completed subsequent to the end of the reporting period on 13 January 2017.

The weighted average number of ordinary shares for the year ended 31 December 2015 has been retrospectively adjusted for (i) the share consolidations which were completed on 21 April 2016 and 13 January 2017, respectively; and (ii) the rights issue which was completed on 27 May 2016.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2016 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. For the year ended 31 December 2015, the Group had no potentially dilutive ordinary shares in issue during the year.

## 11. INTANGIBLE ASSETS

| | **Timber logging rights** *HK$'000* |
|---|---|
| **Cost** | |
| At 1 January 2015 | 896,932 |
| Additions | — |
| At 31 December 2015 and 1 January 2016 | 896,932 |
| Additions | — |
| **At 31 December 2016** | **896,932** |
| **Accumulated amortisation and impairment** | |
| At 1 January 2015 | 589,768 |
| Amortisation charge for the year | — |
| At 31 December 2015 and 1 January 2016 | 589,768 |
| Amortisation charge for the year | — |
| Impairment made on 14 October 2016 *(note 6)* | 265,590 |
| **At 31 December 2016** | **855,358** |
| **Carrying amount** | |
| **At 31 December 2016** | **41,574** |
| At 31 December 2015 | 307,164 |

As at 31 December 2016, the net carrying amount before impairment of the intangible assets is approximately HK$767,350,000 (2015: HK$767,350,000).

The Group acquired an exclusive right (the "1st Timber Logging Right") to log trees in a forest (the "Forest 1") located in Kratie District, Kratie Province, Cambodia for a period of 70 years up to 13 September 2077 during the year ended 31 December 2007. The Group acquired additional two exclusive rights (together with the 1st Timber Logging Right, collectively referred to as the "Timber Logging Rights") to log trees in the other two forests ("Forest 2" and "Forest 3") located in Kbal Damrei Commanes, Cambodia for a period of 70 years up to 8 December 2078 and 8 December 2078 during the years ended 31 December 2008 and 2010, respectively. The Timber Logging Rights give the Group rights to log tree in Forests 1, 2 and 3 (collectively, the "Forests") with areas of approximately 7,449, 7,000 and 7,200 hectares, respectively. In July 2015, the Royal Government of Cambodia issued a notification that the period of the Timber Logging Rights will be reduced from 70 years to 50 years. As of the date of these consolidated financial statements, the Group has not yet signed any new investment contract with the Royal Government of Cambodia, and therefore, the period of the Timber Logging Rights remains unchanged.

The Group is using the "unit of production method" ("UOP") as the amortisation method. No amortisation was provided during the years ended 31 December 2015 and 2016 due to insignificant timber logging activities carried out during the years ended 31 December 2015 and 2016.

## 12. TRADE RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **7,605** | 15,984 |
| *Less:* Impairment | **(6,718)** | (2,001) |
| | **887** | 13,983 |

The aged analysis of the trade receivables as at the end of the reporting perid, based on the invoice date and net of provisions, is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **887** | 5,710 |
| 31 to 60 days | **—** | 6,668 |
| Over 60 days | **—** | 1,605 |
| | **887** | 13,983 |

The movements in the provision for impairment of trade receivables during the reporting period are as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **2,001** | 2,001 |
| Impairment losses recognised *(note 6)* | **4,717** | — |
| At 31 December | **6,718** | 2,001 |

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **887** | 12,378 |
| Less than 1 month past due | **—** | 1,605 |
| 1 to 3 months past due | **—** | — |
| | **887** | 13,983 |

The trade receivables are non-interest bearing and are normally settled on 60-day terms.

## 13. TRADE PAYABLES

The aged analysis of the trade payables as at the end of the reporting period, based on the invoide date, is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current to 30 days | **742** | 4,246 |
| 31-60 days | **—** | 1,861 |
| | **742** | 6,107 |

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

## 14. OTHER LOANS, OTHER PAYABLES AND ACCRUALS

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Other payables and accruals | **28,782** | 34,880 |
| Due to an ex-director* | **6,783** | 30 |
| KW Loan *(note (a))*: | | |
| — Principal | **—** | 46,787 |
| — Accrued interest | **—** | 60,060 |
| RC Loan *(note (b))*: | | |
| — Principal | **—** | 15,500 |
| — Accrued interest | **—** | 489 |
| Timber Business Loans *(note (c))* | **13,826** | — |
| Financial liabilities measured at amortised cost | **49,391** | 157,746 |

* The amount due to an ex-director, Yu Xiao Min, who resigned in December 2016, is unsecured, interest-free and has no fixed terms of repayment.

*Notes:*

(a) Environment Capital Prosperity Sports Investment Limited ("Environment Capital") (formerly known as "Keen Wood Group Limited") entered into a loan agreement (the "KW Loan Agreement") with Mr. Zhang Zhenzhong ("Mr. Zhang"), the former chief executive office of the Company. Pursuant to the KW Loan Agreement, Mr. Zhang would provide two loan facilities in an aggregate principal amount of up to HK$76,300,000 to Environment Capital which was interest bearing at 5% per annum, secured by 100% of the shares in Forest Glen Group Limited ("Forest Glen") and China Cambodia Resources Limited ("China Cambodia"). The outstanding balances of the principal drawn down by Environment Capital under the KW Loan Agreement amounted to approximately HK$37,323,000 and HK$9,464,000, respectively (collectively, the "KW Loan"), in which, as to HK$37,323,99 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 (including but not limited to (1) default in repayment; and (2) the shares of the Company to be listed on the GEM or trading in the shares of the Company has been suspended for a period of more than 60 trading days after the date of the KW Loan Agreement), 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 31 October 2014, a then related company ("RC", with which former director of the Company was connected until 14 November 2014) acquired the KW Loan from Mr. Zhang and, therefore, Mr. Zhang was no longer a creditor of the Group as at 31 December 2015. During the years ended 31 December 2015 and 2016, interest accrued on the KW Loan of approximately HK$13,553,000 (2015: HK$28,694,000) was recognised in the consolidated statement of profit or loss. In June 2016, the KW Loan together with accrued interest has been fully repaid.

(b) RC further provided a RC Loan to the Group for an amount up to HK$25,000,000. As at 31 December 2015, the Group had withdrawn approximately HK$15,500,000 (the "RC Loan"). The RC Loan bears interest at 5% per annum and unsecured. During the year ended 31 December 2016, interest accrued on the RC Loan of approximately HK$402,000 (2015: HK$468,000) was further recognised in the consolidated statement of profit or loss. In May 2016, the RC Loan together with accrued interest has been fully repaid.

(c) As detailed in note 1 to the consolidated financial statements, the Timber Logging Subscribers will provide the Timber Business Loans up to HK$51,750,000 for the carrying out of the timber logging activities. The Timber Business Loans are unsecured, interest-free and for a term of 10 years, in which, as to HK$20,644,000 has been provided by one of the Timber Logging Subscribers as at 31 December 2016. As at the Restructuring Date, the present value of the Timber Business Loans is approximately HK$13,826,000.

## 15. OPERATING LEASE COMMITMENTS

**As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 year | **493** | 106 |
| In the second to fifth years, inclusive | **54** | — |
| | **547** | 106 |
| Continuing operations | **547** | 106 |
| Discontinued operation | **—** | — |
| | **547** | 106 |

## 16. RELATED PARTIES BALANCES AND TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the compensation of key management personnel of the Group is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short term employee benefits | **25,952** | 1,438 |
| Post-employment benefits | **—** | — |
| Equity-settled share option expenses | **2,016** | — |
| Total compensation paid to key management personnel | **27,968** | 1,438 |

## 17. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital commitments at the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted, but not provided for: | | |
| Acquisition of subsidiaries | **33,220** | — |

In October 2016, the Group entered into a sale and purchase agreement (the "Nine Rivers S&P") with an independent third party, pursuant to which, the Group will acquire (the "Nine Rivers Acquisition") 60.4% equity interest in Nine Rivers Capital Partners Limited (the "Nine Rivers") (formerly known as "Jensen Capital Limited") at a consideration of approximately up to HK$33.2 million. Nine Rivers is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("SFO").

The completion of the Nine Rivers Acquisition is subject to the fulfilment of certain conditions precedent as set out in the Nine Rivers S&P. Up to the date of this announcement, the Nine Rivers Acquisition has not yet been completed.

# MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF THE FINAL RESULTS

## OVERVIEW

The Group is principally engaged in (i) forestry and agricultural business in Cambodia and the PRC (the sale of wood and agricultural produce); (ii) the financial services business; and (iii)resources and logistics business.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately HK$45.5 million (2015: HK$38.9 million) arising from sale of wood products and resources materials.

### Gross profit

For the year ended 31 December 2016, the Group recorded gross profit of approximately HK$6.0 million (2015:HK$10.8 million) and gross profit margin of 13.1% (2015: 27.8%). The decrease in gross profit and gross profit margin was partly due to the fierce competition of the wood product market and partly due to the sale of resources materials with lower profit margin.

**Loss for the year**

For the year ended 31 December 2016, the consolidated loss and loss attributable to the equity holders of the Company increased to approximately HK$330.5 million (2015: HK$35.1 million) and approximately HK$317.7 million (2015: HK$35.1 million). The increase in net loss of the Group was mainly due to the impairment loss of approximately HK$265.6 million on the intangible assets relating to its exclusive rights to exploit the three forests in Cambodia.

Basic and diluted loss per share for the year was HK73.90 cents (2015: HK39.84 cents).

## RECENT DEVELOPMENT

Following the resumption in the trading of the shares (the “Shares”) of the Company in February 2016, the Company completed its rights issue in May 2016 and raised fund of approximately HK$256 million. In July 2016, the Company completed a placing of 577,260,000 new Shares under general mandate at the placing price of HK$0.038 per placing Share and 577,260,000 new Shares had been issued and allotted.

In September 2016, the Group entered into agreements with a group of investors/business partners for the development of its forestry and agricultural business (as detailed in the circular of the Company dated 22 September 2016). The said agreements were completed in October 2016.

In October 2016, the Group entered into a sale and purchase agreement for the acquisition of 17.5% equity interest of a group (the “Solar Power Group”) engaged in the operation of solar power generation business for a consideration of HK$20.5 million. The acquisition was completed in October 2016 and the Group’s equity interest in the Solar Power Group was accounted for as available-for-sale financial assets as at 31 December 2016.

In view of the emerging opportunities for the financial services sector in Hong Kong, the Group has applied and obtained a money lender licence granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in December 2016. During the year ended 31 December 2016, the Group has adopted loan financing policies and procedures with reference to market practice and the Money Lenders Ordinance with an intention to commence the loan financing business in 2017. In October 2016, the Group entered into sale and purchase agreements for the acquisition of 60.4% equity interest of Nine Rivers Capital Partners Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (assets management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), for a consideration not more than HK$33.22 million. As at the date of this announcement, the acquisition has not been completed.

In December 2016, the Group entered into a co-operation agreement in respect of the manufacturing of wood and agricultural products in Cambodia with an experienced joint venture partner, an independent third party with substantial experience in the manufacturing of wood and agricultural products in Cambodia.

## REVIEW ON BUSINESS SEGMENTS

### Forestry and agricultural segment

For the year ended 31 December 2016, the forestry and agricultural segment recorded segment revenue of approximately HK$37.9 million and segment loss of approximately HK$282.2 million. The substantial loss in this business segment was mainly attributable to the impairment loss of approximately HK$265.6 million in respect of the intangible assets relating to the Group's exclusive rights to exploit the three forests in Cambodia during the year. According, the segment assets reduced to approximately HK$69.5 million as at 31 December 2016.

### Financial services segment

For the year ended 31 December 2016, the financial services segment of the Group did not record any segment revenue.

### Resources and logistics segment

For the year ended 31 December 2016, the Group recorded segment revenue of approximately HK$7.6 million and segment loss of approximately HK$0.4 million from its resources and logistics segment. The Group will continue to monitor the performance of this business segment and adjust the strategies as and when appropriate.

## EVENTS AFTER THE REPORTING PERIOD

In January 2017, the share consolidation involving the consolidation of 5 existing Shares of HK$0.01 each into 1 consolidated Shares of HK$0.05 each became effective.

In February 2017, the Company completed a placing of 138,540,000 new Shares under the general mandate at the placing price of HK$0.2 per new Share and 138,540,000 new Shares had been issued and allotted to not less than six placees, with net proceeds of approximately HK$26.3 million for strengthening the working capital of the Group.

In February 2017, the Group entered into a loan agreement with the Solar Power Group to provide a shareholder's loan of approximately HK$13.6 million to the Solar Power Group. The loan, will form part of the Group's long term investment in the Solar Power Group, is unsecured, interest-free and repayable upon demand subject to the consent of all shareholders of the Solar Power Group.

## PROSPECTS

The Group expects that the Group's forestry and agricultural business will continually be affected by the administrative policies of the Cambodian government and to encounter fierce market competition and to be subject to rising production costs and volatile market product prices. The Group will closely monitor the business performance of this business segment and adjust its strategy as and when appropriate. On the other hand, the Group will continue to develop its financial services business to benefit from the improving global market sentiments. Going forward, the Group will continue to seize and keep abreast of investment/business as well as debt/equity fund raising opportunities available so as to enhance the financial condition of the Group.

## FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2016, the Group's net cash used in operating activities amounted to approximately HK$39.2 million (2015: HK$18.1 million). Its net cash used in investing activities amounted to approximately HK$40.3 million (2015: net cash from of HK$2.6 million) and net cash from financing activities amounted to approximately HK$161.4 million (2015: HK$17.5 million). As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately HK$81.9 million (2015: net cash inflow of HK$2.0 million).

As at 31 December 2016, the Group had total assets of approximately HK$188.4 million (2015: HK$344.6 million) and total liabilities of approximately HK$53.4 million (2015: HK$165.7 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 28.3% (2015: 48.1%). As at 31 December 2016, the Group did not have any outstanding bank borrowings (2015: Nil).

As at 31 December 2016, the Group's current assets amounted to approximately HK$93.6 million (2015: HK$22.8 million), of which approximately HK$86.4 million (2015: HK$4.2 million) was cash and bank deposits, and its current liabilities amounted to approximately HK$53.4 million (2015: HK$165.7 million).

As at 31 December 2016, the net assets of the Group amounted to approximately HK$135.0 million (including non-controlling interest) (2015: HK$178.8 million) and the net asset value per Share amounted to HK$0.31 (2015: HK$2.03 (restated)).

## CAPITAL STRUCTURE

As at 31 December 2016, the total number of issued ordinary shares and the issued share capital of the Company were 3,463,606,061 (2015: 2,623,950,965) and HK$34,636,060 (2015: HK$131,198,000) respectively. The change in the share capital of the Company was due to (i) completion of the rights issue on the basis of 1 then existing issued Shares for 10 new Shares in May 2016; (ii) the share consolidation of every 10 then Shares into 1 consolidated Share in June 2016; and (iii) completion of the placing of 577,260,000 new Shares in July 2016.

## FUND RAISING ACTIVITIES

During the year ended 31 December 2016, the Company conducted the following equity fund raising exercises:

| Date of announcement/ prospectus | Events | Net proceeds raised (approximately) | Intended use of proceeds | | Actual use of proceeds |
|---|---|---|---|---|---|
| 5 May 2016 | Rights issue | HK$256 million | (i) | HK$170 million for repayment of liabilities | Approximately HK$163 million used as intended and the remaining balance to be used as intended |
| | | | (ii) | HK$50 million as general working capital | Approximately HK$26 million used as intended and the remaining balance to be used as intended |
| | | | (iii) | HK$36 million for potential investment opportunities when available | Approximately HK$33.2 million reserved for the settlement of the consideration for acquisition of the securities brokerage and fund management business and the remaining balance to be used as intended |
| 11 July 2016 | Placing | HK$21 million | Working capital | | Used as settlement for the consideration and the related expenses in respect of the Group's investment in the Solar Power Group |

## CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

### Capital Commitment

Details of the capital commitment of the Group as at 31 December 2016 were disclosed on note 17 to the consolidated financial statements.

### Significant Investment and Material Acquisition and Disposal

Details of the Group's significant investments and material acquisitions were disclosed in the paragraph "Recent Development" above.

**Charge on assets of the Group**

As at 31 December 2016, no assets of the Group have been pledged.

## RISKS FACTORS

**Competition**

The wood product and agricultural produce markets in which the Group operates are highly competitive and challenging, including pressure from rising production costs, volatile product prices and substitution of wood products, etc. If the Group cannot respond to market conditions and implement appropriate strategies, it will affect the market demand for the Group's products, the reputation and the financial performance of the Group.

**Cambodia being a developing country**

The Group operates its forestry and agricultural business in Cambodia. Cambodia is a developing country and is subject to political, economic and social development and its administrative policies to be implemented from time to time may potentially adversely affect the operation and hence the profitability of the Group. In addition, Cambodia has under-developed wood processing and transportation infrastructure and the Group may potentially incur additional and unexpected costs for transportation of its timber.

**Adverse impact from natural hazards**

In the event of prolonged and abnormally high level of rain at the location of the three forests owned by the Group, it will have an adverse impact on the Group's ability to extract timber.

**Price of wooden products and rubbers**

Wood products and rubbers are common commodity and its price is subject to a number of factors including the consumer demand, the supply of wood products and rubbers in the market, the substitution of wood products and rubbers etc. When there is a continuous decline in the prices of wood products, the profitability of the Group will be adversely affected and the recoverable amount of the Group's intangible assets.

**Liquidity risk**

The liquidity of the Group refers primarily to its ability to maintain adequate cash inflow to meet its debt obligation and it is the Group's policy is to regularly monitor current and expected liquidity requirements. The Group's liquidity risk was mainly resulted from the Group's significant operating losses in the past years (net loss of the Group amounted to approximately HK$35.1 million and approximately HK$330.5 million for each of the years ended 31 December 2015 and 2016 respectively) and cash outflow from operations (net cash flow used in operating activities amounted to approximately HK$39.2 million and approximately HK$18.1 million for each of the years ended 31 December 2015 and 2016 respectively). As at 31 December 2016, the Group maintained net current assets of approximately HK$40.2 million and had cash balance of approximately HK$86.4 million and therefore is not expected to have any going concern issue in the short term.

**Credit risk**

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and bank balances. For the year ended 31 December 2016, the Group recorded impairment loss on trade receivables of approximately HK$4.7 million.

**Foreign exchange**

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. Almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$, United States Dollar ("US$") or Renminbi ("RMB") and accordingly, the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ is quite stable. 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.

## EMPLOYEES' INFORMATION

As at 31 December 2016, the Group had 165 (2015: 18) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, saved as disclosed below, the Company has complied with the CG Code.

**Chairman and Chief Executive**

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive has been set out in writing. The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interest of the Group. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group.

During the year ended 31 December 2016, the office of the chief executive is vacated. The Board will keep reviewing 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

The audit committee of the Board (the "Audit Committee"), as at the date of this announcement, 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. Hung Kenneth. 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.

The Audit Committee has reviewed the Company's final results for the year ended 31 December 2016.

## SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the preliminary announcement.

**ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2016 will be despatched to its shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.irresources.com.hk) as soon as practicable.

By Order of the Board of
**IR RESOURCES LIMITED**
**Chan Ching Hang**
*Chairman of the Board*

Hong Kong, 31 March 2017

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chan Ching Hang and Mr. Zeng Lingchen; and three independent non-executive Directors, namely, Mr. Hong Bingxian, Mr. Kenneth Hung and Ms. Pang King Sze.*