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IR RESOURCES LIMITED

同仁資源有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 8186)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE BONDS

The Company is pleased to announce that on 20 October 2017 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement in respect of the subscription of the Convertible Bonds in the aggregate principal amount of HK\$18,000,904. The net proceeds from the Convertible Bonds will be used for business development and working capital of the Group.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.1084 per Conversion Share, a total of 166,060,000 Conversion Shares will be allotted and issued, representing approximately 19.98% of the issued shares of the Company as at the date of this announcement and approximately 16.65% of the issued shares of the Company as enlarged by the Conversion Shares (assuming there is no other change in the number of issued shares of the Company between the date of this announcement and the full conversion of the Convertible Bonds). The Conversion Shares will be issued pursuant to the General Mandate. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENTS

Date

20 October 2017 (after trading hours)

Parties

The Company as the issuer and the Subscriber as the subscriber.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber is a third party independent of the Company and its connected persons.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe, for the Convertible Bonds in the aggregate principal amount of HK\$18,000,904.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are set out as below:

Issuer	:	The Company
Principal amount	:	HK\$18,000,904
Interest rate	:	1% per annum on the outstanding principal amount thereof, which will be payable by the Company annually in arrears. The first payment will be made on the date falling twelve calendar months after the date of issue of the Convertible Bonds.
Maturity Date	:	Two years from the date of issue of the Convertible Bonds or if such date is not a business day, the next business day (the “ Maturity Date ”).
Conversion Period	:	Any time after the date falling twelve calendar months after the date of issue of the Convertible Bonds and up to 7 days before (and excluding) the Maturity Date (the “ Conversion Period ”).

- Conversion rights : Holders of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price of HK\$0.1084 per Conversion Share at any time during the Conversion Period provided that (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Convertible Bonds who, following the exercise of the conversion rights attached to the Convertible Bonds held, represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then voting rights of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares at the relevant time in compliance with the GEM Listing Rules.
- Conversion Shares : Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.1084 per Conversion Share, a maximum of 166,060,000 Conversion Shares will be allotted and issued, representing 19.98% of the issued share capital of the Company as at the date of this announcement and 16.65% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares.
- Conversion Price : HK\$0.1084 per Conversion Share, subject to adjustment(s) upon occurrence of certain events as summarized in the paragraph headed “Adjustment Events” below. The Conversion Price represents:
- (i) a premium of 9.5% over the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on 20 October 2017 (i.e. the date of the Subscription Agreement); and
 - (ii) a premium of 8.4% over the average closing price of HK\$0.1 per Share as quoted on the Stock Exchange for the last five trading days up to and including 20 October 2017 (i.e. the date of the Subscription Agreement).

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the market price of the Shares under the prevailing market conditions.

Early Redemption : The Subscriber and the Company may, by written notice, redeem the Convertible Bonds in whole or any part thereof outstanding, together with all interest accrued thereon and remaining outstanding (if any), at any time twelve calendar months after the date of issue of the Convertible Bonds.

Adjustments Events : The Conversion Price will be subject to adjustment(s) for, consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distribution, rights issue of Shares or options over Shares, rights issues of other securities, issues at less than current market price, modification of rights of conversion, exchange or subscription resulting in the consideration per Share being less than the current market price per Share, offers to the Shareholders and events other than the above in which the Company considers appropriate for an adjustments to be made to the Conversion Price.

The principle of the above customary conversion price adjustments is for anti-dilution of the interest of the holders of the Convertible Bonds.

Transferability : The Convertible Bonds may be freely transferred by the Subscriber in whole amount or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000. However, any transfer of the Convertible Bonds to any connected person of the Company shall be subject to prior written consent of the Company.

Voting : Holder of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of its being a holder of the Convertible Bonds.

Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds.

Ranking of the Conversion Shares : The Conversion Shares will rank pari passu in all respects among themselves and with other Shares in issue on the conversion date of the Convertible Bonds.

Condition Precedent

Completion of the subscription of the Convertible Bonds is conditional upon the obtaining of the approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The above condition precedent cannot be waived by any party to the Subscription Agreement. In the event that the condition precedent cannot be fulfilled on 2 November 2017 or such later date as the Subscriber and the Company may agree in writing, the Subscription Agreement shall terminate, lapse and be of no further effect, and the Company and the Subscriber shall be released from all obligations hereunder and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement.

Completion

Completion of the subscription of the Convertible Bonds shall take place on the third business day upon the fulfilment of the condition precedent of the Subscription Agreement (or such later date as may be agreed between the respective Subscriber and the Company) at the office of the Company in Hong Kong.

MANDATE TO ISSUE THE CONVERSION SHARES

As at the date of this announcement, no Shares have been allotted and issued by the Company under the General Mandate. Upon exercise in full of the conversion rights attaching to the Convertible Bonds, an aggregate of 166,060,000 Conversion Shares shall be allotted and issued under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to any Shareholders' approval.

The Company has not bought back any Shares within the last 30 days prior to the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares (assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.1084 per Conversion Share and there is no other change in the number of issued shares of the Company between the date of this announcement and the full conversion of the Convertible Bonds), are set out below for illustration purpose only:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bonds	
	No. of Shares	%	No. of Shares	%
China Wah Yan Healthcare Limited	237,293,772	28.55%	237,293,772	23.79%
Subscriber	–	–	166,060,000	16.65%
Public Shareholders	593,967,440	71.45%	593,967,440	59.56%
Total	<u>831,261,212</u>	<u>100.00%</u>	<u>997,321,212</u>	<u>100.00%</u>

Save for the 4,200,000 options granted under the share option scheme of the Company adopted in 2011 which entitled the holder thereof to subscribe for 4,200,000 Shares, as at the date of this announcement, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in (i) the sale of wood and agricultural produce business and the timber logging and plantation business in Cambodia; (ii) the financial services business (including securities brokerage and trading, asset management and loan financing); and the (iii) the logistics business.

It has been the intention of the Group to develop its principal businesses and to seize investment/business opportunities for the purposes of diversifying business portfolio and broadening income sources for better business risk management and enhancement of returns to the Shareholders. The Company considers that the issue of the Convertible Bonds represents a good fund raising opportunity to strengthen its financial position. The net proceeds arising from the issue of the Convertible Bonds, after deduction of expenses, will amount to HK\$17.8 million, which shall be applied towards the Group's business development and working capital purposes. The net price for each Conversion Share will be approximately HK\$0.1072.

Given the above, the Directors are of the view that the terms of the Subscription Agreement (including the Conversion Price) are of normal commercial terms based on arm's length negotiations between the Company and the Subscriber, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company conducted the following equity fund raising exercise(s) in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Events	Net proceeds raised <i>(approximately)</i>	Intended use of proceeds	Actual use of proceeds
8 February 2017	Placing of new Shares	HK\$26.3 million	general working capital, future business development and any possible investment	approximately HK\$4 million used for investment in a winery business and approximately HK\$12.3 million used for business development and working capital purposes

Shareholders and potential investors should note that the subscription of the Convertible Bonds is subject to the fulfillment of the condition(s) as set out in the Subscription Agreement, and the subscription of the Convertible Bonds may or may not complete. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Company”	IR Resources Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8186)
“connected person”	has the meaning as ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$0.1084 per Share subject to adjustment(s) in the manner provided in the terms and conditions of the Convertible Bonds

“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	1% coupon convertible bonds in the principal amount of HK\$18,000,904 due 2019 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 16 May 2017 to allot, issue and deal with up to 166,252,242 new Shares, representing 20% of the number of issued ordinary shares of the Company as at the date of that annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Shares”	ordinary share(s) of HK\$0.05 each of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Ding Yun (丁云先生)
“Subscription Agreement”	the subscription agreement dated 20 October 2017 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the board of Directors of
IR Resources Limited
Chan Ching Hang
Chairman

Hong Kong, 20 October 2017

As at the date of this announcement, the board of Directors comprises two executive Directors, namely, Mr. Chan Ching Hang 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 “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for seven days from the date of its publication and on the website of the Company at <http://www.irresources.com.hk>.