



IR RESOURCES LIMITED

同仁資源有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 8186)

2017 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.

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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 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	5	37,183	45,482
Cost of sales	6	<u>(29,916)</u>	<u>(39,509)</u>
Gross profit		7,267	5,973
Other income and gains	5	1,825	5,260
Selling and distribution expenses		(1,450)	–
Administrative expenses		(44,764)	(55,812)
Finance costs	7	(1,432)	(14,186)
Fair value loss on equity investments at fair value through profit or loss	6	(132)	–
Loss on disposal of equity investments at fair value through profit or loss, net		(7,689)	–
Impairment loss on trade receivables	6, 16	(88)	(4,717)
Impairment loss on intangible assets	6, 12	(41,574)	(265,590)
Impairment loss on property, plant and equipment	6, 11	(16,789)	–
Impairment loss on available-for-sale investments	6, 15	(6,814)	–
Share of loss of an associate	14	(3,906)	(4)
LOSS BEFORE TAX	6	(115,546)	(329,076)
Income tax expense	8	(314)	(1,384)
LOSS FOR THE YEAR		<u>(115,860)</u>	<u>(330,460)</u>
Loss attributable to:			
Ordinary equity holders of the Company		(103,347)	(317,743)
Non-controlling interests		(12,513)	(12,717)
		<u>(115,860)</u>	<u>(330,460)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic loss per share	10		
For loss for the year		<u>(12.74) cents</u>	<u>(73.90) cents</u>
Diluted loss per share	10		
For loss for the year		<u>(12.74) cents</u>	<u>(73.90) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(115,860)</u>	<u>(330,460)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(383)	277
Fair value gain on available-for-sale investments (note 15(b))	291	–
Less: Income tax effect	<u>–</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(92)</u>	<u>277</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(115,952)</u>	<u>(330,183)</u>
Attributable to:		
Equity holders of the Company	(103,439)	(317,466)
Non-controlling interests	<u>(12,513)</u>	<u>(12,717)</u>
	<u>(115,952)</u>	<u>(330,183)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	6,077	22,736
Intangible assets	<i>12</i>	500	41,574
Goodwill	<i>13</i>	3,522	–
Interests in an associate	<i>14</i>	11,623	4
Available-for-sale investments	<i>15</i>	44,424	30,500
		<hr/>	<hr/>
Total non-current assets		66,146	94,814
		<hr/>	<hr/>
Current assets			
Inventories		609	1,674
Trade receivables	<i>16</i>	10,989	887
Equity investments at fair value through profit or loss		1,980	–
Prepayments, deposits and other receivables	<i>17</i>	10,766	4,642
Cash held on behalf of customers		564	–
Cash and bank balances		56,852	86,406
		<hr/>	<hr/>
Total current assets		81,760	93,609
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>18</i>	238	742
Other loans, other payables and accruals	<i>19</i>	34,743	49,391
Derivative financial instrument	<i>20</i>	913	–
Other borrowing	<i>21</i>	8,000	–
Convertible bond	<i>20</i>	13,525	–
Tax payables		3,875	3,264
		<hr/>	<hr/>
Total current liabilities		61,294	53,397
		<hr/>	<hr/>
NET CURRENT ASSETS		20,466	40,212
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		86,612	135,026
		<hr/>	<hr/>
Non-current liability			
Other loan	<i>19(a)</i>	16,225	–
		<hr/>	<hr/>
Total non-current liability		16,225	–
		<hr/>	<hr/>
Net assets		70,387	135,026
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	<i>22</i>	41,563	34,637
Reserves		21,520	96,385
		<hr/>	<hr/>
Total equity attributable to: Equity holders of the Company		63,083	131,022
Non-controlling interests		7,304	4,004
		<hr/>	<hr/>
Total equity		70,387	135,026
		<hr/> <hr/>	<hr/> <hr/>

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.

During the second half of 2017, the Group has extended its business portfolio to Online Cultural Business (development and upgrading of online applications in the People’s Republic of China (the “PRC”). Since under the prevailing laws and regulations in the PRC, foreign invested entities are restricted from operating online game business in the PRC. As such, certain structured contracts (the “Structured Contracts”) were entered into among (i) a wholly-owned subsidiary of the Group (a wholly foreign owned enterprise in the PRC) (the “WFOE”), (ii) the sole registered shareholder (the “DE Shareholder”) of a domestic entity (the “Domestic Entity”) in the PRC; and (iii) the Domestic Entity.

The Structured Contracts provide the Group, through the WFOE, with effective control over the Domestic Entity under the arrangement that the WFOE provides consultancy services to the Domestic Entity and the Group is entitled to substantially all of the operating profit and residual benefit generated by the Domestic Entity for services rendered. Also, the DE Shareholder has pledged all of the equity interest in the Domestic Entity to the Group and is required to transfer such interest to the Group (or its designated party) upon receiving the Group’s instruction at the time such transfer is permitted by the PRC laws at a consideration as permitted under the then PRC laws. As such, under the Structured Contracts, the Group has the rights to variable return from its involvement in the Domestic Entity and has the ability to affect this return through its power over the Domestic Entity.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual 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 applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments, equity investments at fair value through profit or loss and derivative financial instrument, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. Hong Kong dollars is the functional currency of the Company and its subsidiaries operating in Hong Kong, while the functional currencies of the Company’s subsidiaries established in the PRC and Cambodia are Renminbi (“RMB”) and United States dollars (“US\$”), respectively. The directors of the Company consider that presenting the consolidated financial statements in Hong Kong dollars is preferable in controlling and monitoring the performance and financial position of the Group.

In light of all the measures adopted and arrangements implemented that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis based on the Group’s financial and liquidity position as at 31 December 2017. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these potential adjustments are not reflected in these consolidated financial statements.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

Except for the amendments to amendments to HKFRS 12, 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 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. Disclosure of the changes in liabilities arising from financing activities is provided to the consolidated financial statements.
- (b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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 ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation 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 ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28 ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

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 four (2016: three) reportable operating segments as follows:

- (a) the sale of wood and agricultural produce and the timber logging business in Cambodia (the “Forestry and Agriculture Business”);
- (b) the securities brokerage and trading, asset management and loan financing (the “Financial Services Business”);
- (c) the provision of services in the development and upgrading of Chinese cultural related online application (the “Online Cultural Business”); and
- (d) the logistics business (the “Logistics Business”).

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. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that interest income, fair value gains/(losses) from the Group’s financial instrument, as well as, head office and corporate expenses are excluded from such measurement.

Segment assets exclude equity investment at fair value through profit or loss, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing, convertible bond, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2017

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Online Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Segment revenue:					
Sales of wood and agricultural products	24,315	–	–	–	24,315
Sales of metallic resources	–	–	–	–	–
Loan interest income arising from financial services business	–	502	–	–	502
Brokerage commission income	–	1,070	–	–	1,070
Related service fee income arising from provision of financial service	–	884	–	–	884
Service fee income arising from development of online cultural business	–	–	10,412	–	10,412
	<u>24,315</u>	<u>2,456</u>	<u>10,412</u>	<u>–</u>	<u>37,183</u>
Segment results	(63,829)	(3,914)	433	(393)	(67,703)
Unallocated expenses					(42,505)
Share of loss of an associate					<u>(3,906)</u>
Loss before tax and finance costs					(114,114)
Finance costs	(565)	–	–	–	(565)
Unallocated finance costs					<u>(867)</u>
Loss before tax					(115,546)
Income tax expense					<u>(314)</u>
Loss for the year					<u><u>(115,860)</u></u>
Segment assets	10,853	39,271	7,293	9,024	66,441
Unallocated assets					<u>81,465</u>
Total assets					<u><u>147,906</u></u>
Segment liabilities	(39,577)	(1,039)	(5,883)	(4,388)	(50,887)
Unallocated liabilities					<u>(26,632)</u>
Total liabilities					<u><u>(77,519)</u></u>

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Online Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Other information					
Capital expenditure	147	5,051	–	–	5,198
Unallocated capital expenditure					<u>15,097</u>
					<u><u>20,295</u></u>
Depreciation and amortisation	2,440	769	–	–	3,209
Unallocated depreciation and amortisation					<u>115</u>
					<u><u>3,324</u></u>
Other income and gains	1,118	684	1	1	1,804
Unallocated other income and gains					<u>21</u>
					<u><u>1,825</u></u>
Impairment loss on intangible assets (<i>notes 6 and 12</i>)	41,574	–	–	–	41,574
Impairment loss on trade receivables (<i>notes 6 and 16</i>)	–	88	–	–	88
Impairment loss on property, plant and equipment (<i>notes 6 and 11</i>)	<u>16,789</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,789</u>

Year ended 31 December 2016

	Forestry and Agricultural Business <i>HK\$'000</i>	Financial Services Business <i>HK\$'000</i>	Logistics Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	–	–	–	–
	<u>37,894</u>	<u>–</u>	<u>7,588</u>	<u>45,482</u>
Segment results	(282,229)	(7)	382	(281,854)
Unallocated expenses				(33,032)
Share of loss of an associate				<u>(4)</u>
Loss before tax and finance costs				(314,890)
Finance costs	(13,553)	–	–	(13,553)
Unallocated finance costs				<u>(633)</u>
Loss before tax				(329,076)
Income tax expense				<u>(1,384)</u>
Loss for the year				<u><u>(330,460)</u></u>
Segment assets	69,463	3,002	12,085	84,550
Unallocated assets				<u>103,873</u>
Total assets				<u><u>188,423</u></u>
Segment liabilities	(38,064)	–	(6,971)	(45,035)
Unallocated liabilities				<u>(8,362)</u>
Total liabilities				<u><u>(53,397)</u></u>

	Forestry and Agricultural Business	Financial Services Business	Logistics Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other information				
Capital expenditure	9,864	–	–	9,864
Unallocated capital expenditure				<u>30,508</u>
				<u>40,372</u>
Depreciation and amortisation	1,727	–	–	1,727
Unallocated depreciation and amortisation				<u>9</u>
				<u>1,736</u>
Other income and gains	3,243	3	1	3,247
Unallocated other income and gains				<u>2,013</u>
				<u>5,260</u>
Impairment loss on intangible assets (notes 6 and 15)	(265,590)	–	–	(265,590)
Impairment loss on trade receivables (notes 6 and 20)	<u>(4,717)</u>	<u>–</u>	<u>–</u>	<u>(4,717)</u>

Geographical information

(a) Revenue from external customers

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,456	–
Southeast Asia and the PRC	<u>34,727</u>	<u>45,482</u>
	<u>37,183</u>	<u>45,482</u>

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) Online Cultural Business and (iii) Logistics Business is based on the location of the customers' operation.

The classification of the revenue arising from Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients, the location of the borrowed funds first available to their borrowers; or the location of the client's operation.

(b) *Non-current assets*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	18,078	11
Southeast Asia and the PRC	3,644	64,303
	<u>21,722</u>	<u>64,314</u>

The non-current assets information 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 of approximately HK\$11.0 million (2016: HK\$23.7 million) was derived from sales of the Forestry and Agricultural Business to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) net invoiced value of goods sold, after trade discounts and related resources taxes; (ii) service fee income arising from its logistics business (iii) loan interest income, brokerage commission income and related service fee income arising from financial service business; and (iv) service fee income arising from its online cultural business during the year.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Sales of wood and agricultural products	24,315	37,894
Sales of metallic resources	–	7,588
Loan interest income arising from financial services business	502	–
Brokerage commission income	1,070	–
Related service fee income arising from provision of financial information services	884	–
Service fee income arising from development of online cultural business	10,412	–
Total revenue	<u>37,183</u>	<u>45,482</u>
Other income and gains		
Bank interest income	13	38
Fair value gain on other loan	1,113	–
Dividend income from available-for-sale investments	684	–
Write back of other payables and accruals	–	3,229
Others	15	1,993
Total other income and gains	<u>1,825</u>	<u>5,260</u>
Total revenue, other income and gains	<u>39,008</u>	<u>50,742</u>

6. LOSS BEFORE TAX

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

	2017 HK\$'000	2016 HK\$'000
Cost of goods sold	20,849	39,509
Cost of services provided	9,067	–
	<u>29,916</u>	<u>39,509</u>
Auditors' remuneration:		
Annual audit	1,200	920
Other assurance services	–	25
	<u>1,200</u>	<u>945</u>
Amortisation of intangible assets (note 12)	–	–
Depreciation of property, plant and equipment*	3,324	1,736
Write off of other receivables	–	39
Impairment loss on trade receivables (note 16)	88	4,717
Impairment loss on intangible assets (note 12)	41,574	265,590
Impairment loss on property, plant and equipment (note 11)	16,789	–
Impairment loss on available-for-sale investments (note 15)	6,814	–
Write down of inventories to net realisable value	1,814	–
Loss on disposal of property, plant and equipment	10	–
Loss on disposal of equity investments at fair value through profit or loss, net	7,689	–
Exchange losses, net	38	21
Fair value loss on equity investments at fair value through profit or loss	132	–
Minimum lease payments under operating leases:		
Land and buildings	1,015	659
Staff costs (excluding directors' remuneration):		
Wages and salaries*	18,563	5,854
Pension scheme contributions	485	235
Equity-settled share options expenses	1,155	2,016
	<u>20,203</u>	<u>8,105</u>
Dividend income from available-for-sale investments	(684)	–
Write back of other payables and accruals	–	(3,229)
Bank interest income	(13)	(38)
Fair value gain on other loan	(1,113)	–
	<u>(1,810)</u>	<u>(3,267)</u>

* Cost of inventories include approximately HK\$133,000 (2016: HK\$58,000) and HK\$97,000 (2016: HK\$126,000) 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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Financial institution's loan interest	451	225
Bank overdraft interest	–	6
Convertible bond interest (<i>note 20</i>)	400	–
Interest on other borrowings	581	13,955
	<u>1,432</u>	<u>14,186</u>

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 2016 and 2017.

PRC

Under the Enterprise Income Tax Law, the Enterprise Income Tax (“EIT”) was provided at the rate of 25% during the year ended 31 December 2016 and 2017. Under the Enterprise Income Tax Law of the PRC, the EIT rate applicable to small-scale enterprises with low profitability that meets certain conditions shall be reduced to 20%. One of the Group subsidiaries has been newly established and designated as a small-scale enterprise. Pursuant to the notice of the Ministry of Finance and the State Administrative of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, this subsidiary is subject to the concessionary EIT rate of 10% of assessable profits (i.e. 20% on the 50% assessable profits) for the year ended 31 December 2017.

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 2016 and 2017.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong	272	1,085
PRC	42	299
Cambodia	–	–
	<u>314</u>	<u>1,384</u>
Deferred tax	–	–
	<u>–</u>	<u>–</u>
Total tax charge for the year	<u>314</u>	<u>1,384</u>

9. DIVIDENDS

The Directors do not recommend final dividend for the year ended 31 December 2017 (2016: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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.

The calculation of basic loss per share is based on:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u><u>(103,347)</u></u>	<u><u>(317,743)</u></u>
	Number of shares (in '000)	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u><u>811,144</u></u>	<u><u>429,992</u></u>

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

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2017 in respect of a dilution as the impact of the convertible bond and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Constructed roads HK\$'000	Motor vehicles HK\$'000	Plant, machinery and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
31 December 2017						
At 1 January 2017:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	<u>2,394</u>	<u>9,163</u>	<u>1,464</u>	<u>9,692</u>	<u>23</u>	<u>22,736</u>
At 1 January 2017, net of accumulated depreciation and impairment						
	2,394	9,163	1,464	9,692	23	22,736
Additions	-	-	-	192	201	393
Acquisition of subsidiaries	-	-	-	2,177	922	3,099
Disposal	-	-	-	(38)	-	(38)
Impairment (<i>note 6</i>)	(2,308)	(8,451)	(1,145)	(4,885)	-	(16,789)
Depreciation provided during the year	<u>(86)</u>	<u>(712)</u>	<u>(319)</u>	<u>(1,909)</u>	<u>(298)</u>	<u>(3,324)</u>
At 31 December 2017, net of accumulated depreciation and impairment						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,229</u>	<u>848</u>	<u>6,077</u>
At 31 December 2017:						
Cost	4,854	24,043	2,657	22,267	1,523	55,344
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,038)	(675)	(49,267)
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,229</u>	<u>848</u>	<u>6,077</u>

	Buildings <i>HK\$'000</i>	Constructed roads <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2016						
At 1 January 2016:						
Cost	4,854	24,043	1,175	10,555	48	40,675
Accumulated depreciation and impairment	(2,374)	(14,168)	(1,156)	(8,346)	(31)	(26,075)
Net carrying amount	<u>2,480</u>	<u>9,875</u>	<u>19</u>	<u>2,209</u>	<u>17</u>	<u>14,600</u>
At 1 January 2016, net of accumulated depreciation and impairment						
	2,480	9,875	19	2,209	17	14,600
Additions	-	-	1,482	8,383	7	9,872
Depreciation provided during the year	(86)	(712)	(37)	(900)	(1)	(1,736)
At 31 December 2016, net of accumulated depreciation and impairment						
	<u>2,394</u>	<u>9,163</u>	<u>1,464</u>	<u>9,692</u>	<u>23</u>	<u>22,736</u>
At 31 December 2016:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	<u>2,394</u>	<u>9,163</u>	<u>1,464</u>	<u>9,692</u>	<u>23</u>	<u>22,736</u>

12. INTANGIBLE ASSETS

	Timber logging rights <i>HK\$'000</i> <i>(note (a))</i>	Trading right <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
Cost			
At 1 January 2016	896,932	–	896,932
Additions	–	–	–
At 31 December 2016 and 1 January 2017	896,932	–	896,932
Acquisition of subsidiaries	–	500	500
At 31 December 2017	896,932	500	897,432
Accumulated amortisation and impairment			
At 1 January 2016	589,768	–	589,768
Amortisation charge for the year ended 31 December 2016	–	–	–
Impairment made on 14 October 2016 (<i>note 6</i>)	265,590	–	265,590
At 31 December 2016 and 1 January 2017	855,358	–	855,358
Amortisation charge for the year ended 31 December 2017	–	–	–
Impairment during the year ended 31 December 2017 (<i>note 6</i>)	41,574	–	41,574
At 31 December 2017	896,932	–	896,932
Carrying amount			
At 31 December 2017	–	500	500
At 31 December 2016	41,574	–	41,574

(a) Timber Logging rights

As at 31 December 2017, the net carrying amount before impairment of the intangible assets amounted to approximately HK\$767.4 million (2016: HK\$767.4 million).

The Group acquired the exclusive right to log trees in three forests (the “Forests”) with an aggregate area of 21,650 hectares and located in Kratie Province and Kbal Damrei Communes, Cambodia for a period of 70 years (which would have been reduced to 50 years pursuant to a notification issued by the Royal Government of Cambodia (the “Cambodia Government”) in 2015) between 2007 and 2010. The Group uses the “unit of production method” as the amortisation method. No amortisation was provided in 2016 and 2017 given the level timber logging activities.

Impairment testing of intangible assets

As at 31 December 2017, the recoverable amounts of the intangible assets were revalued by the independent professional valuers. Based on the valuation report, the recoverable amount of the intangible assets as at 31 December 2017 was of no commercial value and therefore, the Group made an impairment loss of intangible assets of approximately HK\$41,574,000 as at 31 December 2017, which was mainly due to the decrease in the future estimated selling price of the agricultural produce(s).

In the past few years, the recoverable amounts of the intangible assets have continuously decreased primarily due to the decrease in the future estimated selling price of the agricultural produce(s).

(b) Trading right

The trading right represented a trading right on the Hong Kong Exchanges and Clearing Limited was acquired through the business combination during the year. The trading right is considered to have an indefinite useful life and is tested for impairment at the end of the reporting period. As at 31 December 2017, no impairment was provided as the Directors are of the opinion that the recoverable amount is excess its carrying amount.

13. GOODWILL

	<i>HK\$'000</i>
Acquisition of subsidiaries during the year ended 31 December 2017	3,522
Impairment during the year ended 31 December 2017	—
	<hr/>
Carrying value at 31 December 2017	3,522
	<hr/> <hr/>
At 31 December 2017	
Cost	3,522
Accumulated impairment	—
	<hr/>
Carrying value	3,522
	<hr/> <hr/>

Impairment testing of goodwill

The net carrying amount of goodwill represented HK\$3,522,000 arising from the acquisition of 60.4% equity interest in Nine Rivers Capital Partners Limited (“Nine Rivers” together with its subsidiaries, the “Nine Rivers Group”). The Nine Rivers Group engages in the provision of financial services. Goodwill acquired through business combination is allocated to the Group’s cash generating unit (the “Financial Services CGU”) that is expected to benefit from that business.

A valuer has been engaged to determine the recoverable amount of the Financial Services CGU, pursuant to which, no impairment has been provided for the year ended 31 December 2017 as the recoverable amount is excess its carrying amount of the Goodwill.

14. INTERESTS IN AN ASSOCIATE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Unlisted shares, at cost*	–	–
Due from associate	15,533	8
Share of loss of an associate	<u>(3,910)</u>	<u>(4)</u>
	<u>11,623</u>	<u>4</u>

* The investment cost represented the Group's 49% equity interest in an associate (the "Associate") with the investment cost amounting to US\$49 (equivalent to approximately HK\$382). The investment cost in the Associate has been presented as "nil" as a result of rounding.

The amount due from the Associate is unsecured, interest-free and has no fixed terms of repayment.

The following table summarised financial information of the Associate as extracted from its unaudited management accounts:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total assets	23,059	1
Total liabilities	(31,038)	(8)
Revenue for the year	–	–
Loss for the year	<u>(7,972)</u>	<u>(7)</u>

15. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Solar Power Company (<i>note (a)</i>)	27,271	20,500
Unlisted income fund (<i>note (b)</i>)	<u>17,153</u>	<u>10,000</u>
	<u>44,424</u>	<u>30,500</u>

Notes:

(a) Solar Power Company

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Unlisted equity interest	20,500	20,500
SPC Loan	<u>13,585</u>	<u>–</u>
	34,085	20,500
Impairment	<u>(6,814)</u>	<u>–</u>
Carrying amount	<u>27,271</u>	<u>20,500</u>

Included in the available-for-sale investment with its cost of HK\$34,085,000 as at 31 December 2017, as to HK\$20,500,000 was an equity investment in a company (the “Solar Power Company”, together with its subsidiaries, the “Solar Power Group”) engaged in solar power generation business; and the remaining balance of HK\$13,585,000 represented a loan (the “SPC Loan”) advanced to the Solar Power Company. During the year ended 31 December 2017, the Group made an impairment of available-for-sale investment of approximately HK\$6,814,000.

In October 2016, the Group entered into a sale and purchase agreement to acquire 17.5% equity interest of the Solar Power Group at a cash consideration of HK\$20,500,000. As the Group did not have significant influence over the Solar Power Group, such equity investment was accounted for as available-for-sale investment as at 31 December 2016 and 2017.

In February 2017, the Group further entered into a loan agreement, to provide the SPC Loan of US\$1,750,000 (equivalent to HK\$13,585,000) to Solar Power Company. The SPC Loan is unsecured, interest-free and is repayable upon demand subject to the consent of all shareholders of the Solar Power Company. The Directors considered that the SPC Loan forms part of a long term investment in the Solar Power Group, therefore, the SPC Loan together with the underlying investment were accounted for as available-for-sale investments as at 31 December 2017.

Impairment assessment of available-for-sale investments

As at 31 December 2017, the recoverable amounts of the investment in the Solar Power Company and the SPC Loan were determined by the Directors with reference to certain financial information of the Solar Power Company. Based on their assessment, the Group made an impairment loss on its investment in the Solar Power Company and the SPC Loan of approximately HK\$6,814,000 during the year.

As at 31 December 2017, the above unlisted equity investments and loan with a carrying amount of HK\$27,271,000 (2016: HK\$20,500,000) were stated at cost less impairment because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

(b) Unlisted income fund

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January, at cost	10,000	–
Acquisition of subsidiaries	14,851	–
Additions	–	10,000
Disposals	(7,989)	–
Fair value gain	291	–
	<u>17,153</u>	<u>10,000</u>
At 31 December, at fair value/cost	<u>17,153</u>	<u>10,000</u>

Included in the available-for-sale investment of HK\$17.2 million as at 31 December 2017 was an investment in the unlisted income fund made by the Group in 2016.

In previous year, the unlisted income fund was stated at cost less impairment because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

During the year ended 31 December 2017, the Directors were of the opinion that the fair value had become to be measured reliably, which would better reflect the fair value of the unlisted income fund of the Group as at the end of the reporting period. Accordingly, the Group has changed its accounting policy during the year ended 31 December 2017 and such unlisted income fund was then stated at its fair value. During the year, the Group recorded a fair value gain of the available-for-sale investment of approximately HK\$291,000 ended 31 December 2017 and recognised into the available-for-sale investment reserve.

No prior year adjustment was retrospectively put through to restate the consolidated financial statements of the Group for the year ended 31 December 2016 as the Directors consider that the fair value of the unlisted income fund was not materially different with its cost as at 31 December 2016.

16. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables (<i>note a</i>)	9,101	7,605
Less: Impairment	<u>(6,718)</u>	<u>(6,718)</u>
	<u>2,383</u>	<u>887</u>
Accounts receivables arising from its financial services business (<i>note b</i>)		
– Cash clients' account	–	–
– Margin clients' account	8,463	–
– Other clients	231	–
Less: Impairment	<u>(88)</u>	<u>–</u>
	<u>8,606</u>	<u>–</u>
	<u>10,989</u>	<u>887</u>

(a) Trade receivables

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 30 days	2,309	887
31 to 60 days	74	–
Over 60 days	<u>–</u>	<u>–</u>
	<u>2,383</u>	<u>887</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	6,718	2,001
Impairment losses recognised (<i>note 6</i>)	<u>–</u>	<u>4,717</u>
At 31 December	<u>6,718</u>	<u>6,718</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	2,383	887
Less than 1 month past due	–	–
1 to 3 months past due	<u>–</u>	<u>–</u>
	<u>2,383</u>	<u>887</u>

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

(b) Accounts receivables arising from its financial services business

The settlement terms of account receivables from cash clients are two days after the trade date. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these account receivables.

The account receivables from the margin clients are repayable on demand and interest bearing at the prime lending rate plus 0.1% to 5.5%. The total market value of the securities portfolio of the corresponding margin clients amounted to HK\$22,120,000 as at the end of the reporting period.

The account receivable from other clients are non-interest bearing and are normally settled on 60-day terms.

The movements in the provision for the impairment of accounts receivables arising from its financial services business are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	–	–
Impairment losses recognised (<i>note 6</i>)	<u>88</u>	<u>–</u>
At 31 December	<u>88</u>	<u>–</u>

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	–	714
Deposits and other receivables	7,254	3,542
Tax receivables	111	496
Convertible bond receivable (<i>note (a)</i>)	4,001	–
Due from a related party (<i>note (b)</i>)	–	490
	<u>11,366</u>	<u>5,242</u>
<i>Less: Impairment</i>	<u>(600)</u>	<u>(600)</u>
	<u><u>10,766</u></u>	<u><u>4,642</u></u>

At 31 December 2017, an impairment loss of HK\$600,000 (2016: HK\$600,000) has been provided against the other receivables. Except for such impairment, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

- (a) In July 2017, the Company subscribed a convertible bond (the “Convertible Bond A”) with a principal amount of HK\$4,001,000 issued by an independent third party (the “CB Issuer”) which bears interest at 1.5% per annum, matures in July 2020 and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK\$6.38381 per share. As the CB Issuer and the Company has the right to redeem the Convertible Bond A on the first anniversary of the issue date i.e. 14 July 2018, the Convertible Bond A is classified as a current asset.

The conversion right of the Convertible Bond A should be initially recognised as a derivative financial asset and should be stated at its fair value at the end of the reporting period.

The Directors are of the opinion that the fair value of the conversion right was not material to the consolidated financial statements as at 31 December 2017 and therefore was not recognised in the consolidated financial statements.

- (b) Representing the amount due from a shareholder of the Forestry and Agricultural Business, which was unsecured, interest-free and had no fixed terms of repayment.

18. TRADE PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	–	742
Trade payables arising from its financial services business (<i>note (b)</i>)		
– Margin clients’ account	–	–
– Cash clients’ account	–	–
– Cleaning house	238	–
	<u>238</u>	<u>742</u>
	<u><u>238</u></u>	<u><u>742</u></u>

(a) **Trade payables**

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 30 days	–	742
31–60 days	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>742</u>

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

(b) **Trade payables arising from its financial services business**

The trade payables to margin and cash clients are repayable on demand and interest bearing at prevailing market rates.

The trade payables to clearing house, net is repayable within two business days, unsecured and interest free.

19. OTHER LOANS, OTHER PAYABLE AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other payables and accruals	34,743	28,782
Due to an ex-director*	–	6,783
Other loan – current portion (<i>note (a)</i>)	–	13,826
	<u>–</u>	<u>13,826</u>
Financial liabilities measured at amortised cost	<u>34,743</u>	<u>49,391</u>

* The amount due to an ex-director was unsecured, interest-free and had no fixed terms of repayment.

Note:

(a) The movement of the other loan are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	13,826	–
Fair value of loans obtained	1,834	13,826
Interest expenses	565	–
	<u>16,225</u>	<u>13,826</u>
At 31 December	16,225	13,826
Reclassification as a non-current portion	(16,225)	–
	<u>–</u>	<u>–</u>
Current portion	<u>–</u>	<u>13,826</u>

The relevant shareholders of the Forestry and Agricultural Business will provide a working capital loan of up to HK\$51.8 million for the carrying out of the timber logging activities. Such working capital loans are unsecured, interest-free and have a term of 10 years. As at 31 December 2017, HK\$23.5 million (2016: HK\$20.6 million) had been provided.

The loans from the relevant shareholders of the Forestry and Agricultural Business are repayable from the profits of the Forestry and Agricultural Business. In view of the business conditions of the Forestry and Agricultural Business, the Directors consider it appropriate to reclassify such loans to non-current liabilities as at 31 December 2017.

20. CONVERTIBLE BOND

In October 2017, the Company issued a convertible bond with a principal amount of HK\$18,000,904 (the “Convertible Bond”) to an independent third party (the “CB Holder”). The Convertible Bond which is convertible into the 166,060,000 ordinary shares of the Company at a conversion price of HK\$0.1084 per share, bears an interest rate at 1% per annum and matures in October 2019. Each of the Company and the CB Holder were granted an early redemption option (the “Derivative”) to request the counterparty to redeem the Convertible Bond any time after the first anniversary of the date of the issuance of the Convertible Bond.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount minus the fair value of the Derivative granted to the CB Holder is assigned as the equity component and is included in shareholders’ equity.

21. OTHER BORROWING

	Effective interest rate (%)	Maturity	2017 HK\$’000	2016 HK\$’000
Other borrowing – unsecured	8.5	2019	<u>8,000</u>	<u>–</u>
Analysed into:				
Other borrowing repayable:				
Within one year on demand			–	–
Carrying amount of borrowing that is not repayable within one year from the end of the reporting but contains a repayment on demand clause (shown under current liabilities)			<u>8,000</u>	–
In the second year			<u>–</u>	<u>–</u>
			<u>8,000</u>	<u>–</u>

22. SHARE CAPITAL

	2017		2016	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Notes				
Authorised:				
At beginning of year, ordinary shares of HK\$0.001 (2016: HK\$0.05) each	20,000,000,000	200,000	4,000,000,000	200,000
Capital reorganisation (a)	-	-	196,000,000,000	-
Share consolidation (c)&(e)	(16,000,000,000)	-	(180,000,000,000)	-
	<u>4,000,000,000</u>	<u>200,000</u>	<u>20,000,000,000</u>	<u>200,000</u>
At end of year, ordinary shares of HK\$0.05 (2016: HK\$0.001)				
	<u>4,000,000,000</u>	<u>200,000</u>	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of year, ordinary shares of HK\$0.001 (2016: HK\$0.05) each	3,463,606,061	34,637	2,623,950,965	131,198
Capital reorganisation (a)	-	-	-	(128,574)
Rights issue of shares (b)	-	-	26,239,509,650	26,240
2016 Share Consolidation (c)	-	-	(25,977,114,554)	-
2017 Share Consolidation (e)	(2,770,884,849)	-	-	-
2016 Placing (d)	-	-	577,260,000	5,773
2017 Placing (f)	138,540,000	6,926	-	-
	<u>831,261,212</u>	<u>41,563</u>	<u>3,463,606,061</u>	<u>34,637</u>
At end of year, ordinary shares of HK\$0.05 (2016: HK\$0.001)				
	<u>831,261,212</u>	<u>41,563</u>	<u>3,463,606,061</u>	<u>34,637</u>

Notes:

- (a) On 21 April 2016, the Company completed a capital reorganisation (the “Capital Reorganisation”) involving the capital reduction, the reduction of share premium and the elimination of accumulated losses. The Capital Reorganisation was approved by independent shareholders at the special general meeting on 20 April 2016. Details of which are as follows:
- (i) Capital reduction
- This involves the reduction of the nominal value of each then issued share from HK\$0.05 each to HK\$0.001 each and every then authorised but unissued share will be sub-divided into 50 new shares (the “New Share(s)”) with a par value of HK\$0.001 each;
- (ii) Reduction of share premium
- After the capital reduction having become effective on 21 April 2016, the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was credited to the contributed surplus account of the Company; and
- (iii) Elimination of accumulated losses
- Following the completion of the capital reduction and the reduction of share premium, the credit amount standing in the contributed surplus account of the Company was used to set off the accumulated losses of the Company in full.
- (b) On 27 May 2016, the Company completed a rights issue (the “Rights Issue”) by issuing 26,239,509,650 rights shares (the “Rights Share(s)”) to the qualifying shareholders at the subscription price of HK\$0.01 per Rights Share on the basis of ten Rights Shares for every one New Share on the record date. The Rights Issue was approved by independent shareholders at the special meeting held on 20 April 2016. The net proceeds of approximately HK\$256,301,000 for strengthen the working capital of the Group.
- (c) On 22 June 2016, the Company completed a share consolidation (the “2016 Share Consolidation”) on the basis that every ten issued and unissued existing shares (the “Existing Shares”) were consolidated into one consolidated share of HK\$0.001 each. The 2016 Share Consolidation was approved by independent shareholders at the special meeting held on 21 June 2016.
- (d) On 11 July 2016, the Company entered into a placing agreement (the “2016 Placing Agreement”) with the placing agent, pursuant to which, the Company (the “2016 Placing”) placed a total of 557,260,000 New Shares (the “2016 Placing Shares”) of HK\$0.01 each to not less than six places who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK\$0.038 per 2016 Placing Share. The 2016 Placing was completed on 29 July 2016, with the net proceeds of approximately HK\$21,212,000 for strengthen the working capital of the Group.
- (e) On 13 January 2017, the Company completed a share consolidation (the “2017 Share Consolidation”) on the basis that every five issued and unissued existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.05 each. The 2017 Share Consolidation was approved by independent shareholders at the special meeting held on 12 January 2017.
- (f) On 8 February 2017, the Company entered into a placing agreement (the “2017 Placing Agreement”) with the placing agent, pursuant to which, the Company placed (the “2017 Placing”) a total of 138,540,000 New Shares (the “2017 Placing Shares”) of HK\$0.05 each to not less than six places who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK\$0.2 per 2017 Placing Share. The 2017 Placing was completed on 23 February 2017, with the net proceeds of approximately HK\$26,600,000 for strengthen the working capital of the Group.

23. 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 year	1,108	493
In the second to fifth years, inclusive	<u>781</u>	<u>54</u>
	<u><u>1,889</u></u>	<u><u>547</u></u>

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Group had the following capital commitments at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Contracted, but not provided for:		
Acquisition of subsidiaries	<u>-</u>	<u>33,220</u>

The Group completed the acquisition of 60.4% equity interest in the Nine Rivers Group at a consideration of approximately HK\$27.6 million in June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF THE FINAL RESULTS

OVERVIEW

The Group is principally engaged in (i) the Forestry and Agricultural Business; (ii) the Financial Services Business; (iii) the Online Cultural Business; and (iv) the Logistics Business.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, the revenue of the Group amounted to HK\$37.2 million (2016: HK\$45.5 million) representing a decrease of 18.2% from the previous year and attributable to the combined impact of (i) a decline in the revenue from the Forestry and Agricultural Business by 35.8% to HK\$24.3 million; and (ii) the inclusion of the revenue of HK\$2.5 million from the Financial Services Business and HK\$10.4 million from the Online Cultural Business.

Gross profit

For the year ended 31 December 2017, the Group recorded gross profit of HK\$7.3 million (2016: HK\$6.0 million) and gross profit margin of 19.5% (2016:13.1%). The increase in gross profit and gross profit margin was attributable to the Financial Services Business and the Online Cultural Business which commanded higher margins (accounting for an aggregate of 34.6% of the Group's total revenue) and the Forestry and Agricultural Business had maintained a gross profit margin comparable to the previous year.

Loss for the year

For the year ended 31 December 2017, the consolidated loss and loss attributable to the equity holders of the Company amounted to HK\$115.9 million (2016: HK\$330.5 million) and HK\$103.4 million (2016: HK\$317.7 million). The substantial decrease in net loss of the Group was mainly attributable to the combined impact of (i) a decrease of HK\$224 million in impairment loss on its intangible assets relating to its exclusive rights to exploit the three forests; (ii) an impairment loss on property, plant and equipment of HK\$16.8 million (2016: Nil) and (iii) impairment loss on available-for-sale investments of HK\$6.8 million.

Basic and diluted loss per Share for the year was HK12.7 cents (2016: HK73.9 cents).

RECENT DEVELOPMENT

In January 2017, the Company's share consolidation (the "2017 Share Consolidation") of 5 existing shares (the "Shares") of HK\$0.01 each into 1 consolidated Share of HK\$0.05 each has become effective.

In February 2017, the Company completed the placing of 138,540,000 new Shares for net proceeds of HK\$26.6 million under the general mandate at the placing price of HK\$0.2 per Share.

In February 2017, the Group contributed a shareholder's loan of HK\$13.6 million to a 17.5%-owned company engaged in the solar power generation business.

In June 2017, the Group completed the acquisition of a controlling stake in a securities and brokerage and fund management corporation licensed 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.

During the second half of 2017, the Group established a wholly-owned subsidiary to develop the Online Cultural Business.

REVIEW ON BUSINESS SEGMENTS

Forestry and Agricultural Business

During the year ended 31 December 2017, the financial performance of the Forestry and Agricultural Business was adversely affected by the continuous tightening administrative policies of the government authorities in Cambodia on forestland (one of the country's most important natural resources) and the unusual prolonged rainy season in Cambodia. As such, the revenue of the Forestry and Agricultural Business recorded a decrease of 35.8% to HK\$24.3 million (2016: HK\$37.9 million). In addition, the decreasing trend in the selling prices of the agricultural produces in 2017 has adversely affected the fair value of the exclusive rights of the Group's forests and the related property, plant and equipment in Cambodia, resulting in the Group having recorded a non-cash impairment loss of HK\$41.6 million and HK\$16.8 million respectively, and, therefore a segment loss of HK\$63.8 million (2016: HK\$37.9 million).

In view of the unfavourable political environment and the unusual unfavourable weather, the Group, after taking into account the effort made by the subscribers and their contribution to the development of the Forestry and Agricultural Business (including the installation of the new equipment and the contribution of working capital), has decided not to exercise its right under the share charge and continue to work with the subscribers with a view to improving the financial performance of the Forestry and Agricultural Business despite the loss incurred. On the other hand, the Group will continue to monitor and assess the risk and challenges of this business segment from time to time with a view to mitigating the adverse impact of this business segment on the Group's financial results.

Financial Services Business

The Financial Services Business recorded revenue of HK\$2.5 million and a segment loss of HK\$3.9 million for the year ended 31 December 2017.

Online Cultural Business

The Online Cultural Business is the provision of services in the development and upgrading of Chinese cultural related online applications. During the year ended 31 December 2017, this business segment recorded revenue and a segment profit of HK\$10.4 million and HK\$0.4 million respectively.

Logistics Business

During the year ended 31 December 2017, the Logistics Business did not record any segment revenue and a segment loss of HK\$0.4 million. The Group will continue to monitor and formulate development plan in respect of this segment.

PROSPECTS

The environmental impact of the Group's Forestry and Agricultural Business is expected to continue to be the subject of environment protection and forestland preservation concern and remain subject to the stringent administrative policies of the Cambodia government. The Group will continue to monitor the business environment of this business segment and adjust its strategies from time to time in view of the challenges faced by the Group (including but not limited to reducing the Group's reliance and/or seeking other opportunities to mitigate the risk). On the other hand, the Group will continue to develop its Financial Services Business to ride on the growth potential of the Hong Kong financial/capital market as fueled by the closer collaboration between the capital market of the PRC and Hong Kong. Looking forward, the Group will continue to seize the opportunities available in the traditional economy, the financial economy and the new economy with a view to arriving at a balanced business portfolio.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2017, the Group's net cash used in operating activities amounted to approximately HK\$39.6 million (2016: HK\$39.2 million). Its net cash used in investing activities amounted to approximately HK\$44.4 million (2016: net cash from of HK\$40.3 million) and net cash from financing activities amounted to approximately HK\$55.4 million (2016: HK\$161.4 million). As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately HK\$28.6 million (2016: net cash inflow of HK\$81.9 million).

As at 31 December 2017, the Group had total assets of approximately HK\$147.9 million (2016: HK\$188.4 million) and total liabilities of approximately HK\$77.5 million (2016: HK\$53.4 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 52.4% (2016: 28.3%). As at 31 December 2017, the total borrowings of the Group amounted to HK\$21.5 million (2016: Nil), comprising borrowing of HK\$8 million (2016: Nil) and convertible bonds of HK\$13.5 million (2016: Nil).

As at 31 December 2017, the Group's current assets amounted to HK\$81.8 million (2016: HK\$93.6 million), of which HK\$56.9 million (2016: HK\$86.4 million) was cash and bank deposits, and its current liabilities amounted to HK\$61.3 million (2016: HK\$53.4 million).

As at 31 December 2017, the net assets of the Group amounted to HK\$70.4 million (including non-controlling interest) (2016: HK\$135.0 million) and the net asset value per Share amounted to HK\$0.09 (2016: HK\$0.31).

CAPITAL STRUCTURE

As at 31 December 2017, the total number of issued ordinary shares and the issued share capital of the Company were 831,261,212 (2016: 3,463,606,061 before the 2017 Share Consolidation, or 672,721,212 after the 2017 Share Consolidation) and HK\$41,563,060 (2016: HK\$34,636,060) respectively. The change in the share capital of the Company was due to (i) the 2017 Share Consolidation; and (ii) completion of the placing of 138,540,000 new Shares in February 2017.

FUND RAISING ACTIVITIES

During the year ended 31 December 2017, the Group conducted the following equity fund raising exercises:

Date of announcement	Events	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
8 February 2017	Placing	HK\$26.6 million	General working capital, future business development and possible investments	Approximately HK\$4 million used for investment in a winery business and the remaining used for business development and working capital
20 October 2017	Issue of convertible bonds	HK\$17.8 million	business development and working capital	HK\$2.8 million has been used for working capital

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

Details of the capital commitment of the Group as at 31 December 2017 were disclosed in note 24 to this announcement.

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 2017, 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 agricultural produces

Agricultural produces are common commodity and their prices are subject to a number of factors including the consumer demand, the supply in the market and the substitution available etc. When there is a continuous decline in the prices of agricultural produces, 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\$330.5 million and approximately HK\$115.9 million for each of the years ended 31 December 2016 and 2017 respectively). As at 31 December 2017, the Group had net current assets of approximately HK\$20.5 million and had cash and bank balances of approximately HK\$56.9 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 2017, the Group recorded impairment loss on trade receivables of HK\$0.09 million.

Online business

The information technology industry is characterized by rapid technological changes, changes in consumer preferences, quick development and enhancement of products and emerging industry standards. The future development of the Online Cultural Business will depend on the Group's ability to (i) develop new products that address the increasingly sophisticated and varied needs of prospective customers and (ii) respond to technological advances and emerging industry standards and practices on a timely basis. If the Group is unable to develop and introduce new products in a timely manner in respond to the changing market conditions and/or customers' preferences, or if new products do not achieve market acceptance, the financial performance of the Online Cultural Business may be deteriorated.

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 2017, the Group had 70 (2016: 165) 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 2017, 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 2017, the office of the chief executive remained 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 2017.

SCOPE OF WORK OF AUDITORS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2017 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 2017. 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 announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 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, 15 February 2018

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, Rufina.

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>.