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IRC Limited 鐵江現貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 1029)

CONNECTED TRANSACTION – ARRANGEMENTS RELATED TO PROVISION OF GUARANTEES FROM PETROPAVLOVSK

Tuesday, 10 September 2019: Reference is made to the Company’s announcement dated 15 February 2019 (“**Announcement**”) and its supplemental announcement dated 26 February 2019. Capitalised terms used in this announcement have the same meaning given in the Announcement.

As set out in the Announcement, Petropavlovsk, IRC and K&S entered into the New Recourse Agreement, which sets out the terms on which Petropavlovsk has agreed to act as guarantor under the Guarantee Agreements. Under the New Recourse Agreement, IRC shall pay Petropavlovsk a monthly fee to be calculated by reference to a rate on the then maximum amount that may be payable by Petropavlovsk under the Guarantee Agreements. However, no amount in respect of the monthly fee shall be payable by IRC until Petropavlovsk (acting reasonably) has notified IRC of the rate for the monthly fee and such rate has been: (a) agreed to in writing by IRC; or (b) determined as being not unreasonable by an independent expert, provided further that such rate: (i) is agreed to in writing by IRC; (ii) confirmed by the independent expert as being on normal commercial terms for the purposes of Chapter 14A of the Listing Rules; or (iii) approved by IRC’s shareholders.

IRC announces that, under the terms of the New Recourse Agreement, it has agreed with Petropavlovsk that the rate of the annual monthly fee is 3.07% in respect of the Guarantee Agreements for IRC’s US\$240 million Gazprombank Facilities. This amounts to approximately US\$6 million in 2019 and compares with approximately US\$4 million in 2018, when Petropavlovsk guaranteed the US\$240 million ICBC Facility.

IRC understands from Petropavlovsk that the rate of the monthly fee that IRC has accepted was determined by leading international financial advisers, acting as experts to Petropavlovsk to determine a rate of the monthly fee which is on normal commercial terms.

In connection with this advice and as previously announced, it should be noted that the current maximum amount that would be payable under the Guarantee Agreements is US\$160 million. However, three of the five Guarantee Agreements have not come into effect yet, as the fixed term guarantees replace each other over the term of the Gazprombank Facilities (the “**Replacement Fixed Term Guarantee Agreements**”). Each of the Replacement Fixed Term Guarantee Agreements provides that, at Gazprombank’s election, they will come into effect immediately following the occurrence of certain prescribed events (the “**Springing Recourse Events**”), including IRC’s insolvency. If a Springing Recourse Event occurs, Gazprombank can notify Petropavlovsk that all of the Replacement Fixed Term Guarantee Agreements have become effective and Petropavlovsk would therefore be guaranteeing the full amount of the Gazprombank Facilities.

Accordingly, it has been agreed between IRC and Petropavlovsk that the monthly fee should be determined by reference to Petropavlovsk’s maximum potential exposure under the Guarantee Agreements, being US\$240 million.

An independent expert appointed by IRC has confirmed that such rate on such amount is not unreasonable and the monthly fee has been agreed to by IRC. As noted in the Announcement, the monthly fee can be changed.

The monthly fee is payable on a monthly basis in respect of the period from 12 March 2019 (being the date Petropavlovsk’s shareholders approved the Guarantee Agreements) until the earlier of the date that the Gazprombank Facilities are paid in full and the date Petropavlovsk ceases to be the guarantor to all of the Guarantee Agreements. However, the monthly fee will be payable in respect of a different period if any loan is provided by Petropavlovsk under the New Recourse Agreement or any amount is due and payable but unpaid under the New Recourse Agreement.

The Directors of the Company (including the Independent Directors) consider the New Recourse Agreement (including the monthly fee) and the guarantee arrangements to be in the best interest of the Company and on normal commercial terms or better.

The provision of the guarantees by Petropavlovsk, in conjunction with the New Recourse Agreement (including the monthly fee), constitutes “financial assistance” within the meaning of Listing Rule 14A.24(4). As the financial assistance is on normal commercial terms or better and is not secured by the assets of the Group, in accordance with Listing Rule 14A.90, it is fully exempt from the requirements of Chapter 14A of the Listing Rules.

By Order of the Board
IRC Limited
Yury Makarov
Chief Executive Officer

Hong Kong, People’s Republic of China
Tuesday, 10 September 2019

As at the date of this announcement, the Executive Directors of the Company are Mr Yury Makarov and Mr Danila Kotlyarov. The Non-Executive Directors are Mr Peter Hambro and Mr Chi Kin Cheng. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr. Chuang-Fei Li, Mr Simon Murray, CBE, Chevalier de la Légion d'Honneur, Mr Jonathan Martin Smith and Mr Raymond Kar Tung Woo.

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