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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 DISPOSAL OF A HELICOPTER**

**The Board of IRC Limited announces that on 13 December 2019, LLC GMMC (a subsidiary of the Company) and JSC “Pokrovskiy mine” (a subsidiary of Petropavlovsk PLC) entered into an agreement pursuant to which LLC GMMC agreed to sell, and JSC “Pokrovskiy mine” agreed to purchase, a helicopter at a consideration of approximately US\$4.9 million.**

The Purchaser is a connected person of the Company for the purposes of Rules 14A.07(4) and 14A.13(1) of the Listing Rules as it is a subsidiary of Petropavlovsk, the holding company of Cayiron Limited. Cayiron Limited is a substantial shareholder of the Company holding 31.10% of its Shares. The transactions contemplated under the Disposal Agreement therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 0.1% but less than 5%, the Disposal is exempt from the independent shareholders’ approval requirement, and is subject only to the reporting and announcement requirements in respect of connected transactions set out in Chapter 14A of the Listing Rules.

### **1. INTRODUCTION**

**Friday, 13 December 2019:** The Board of IRC Limited announces that on 13 December 2019, the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to buy, the Helicopter for the Consideration.

The Purchaser is a connected person of the Company for the purposes of Listing Rules 14A.07(4) and 14A.13(1) as it is a subsidiary of Petropavlovsk, the holding company of Cayiron Limited. Cayiron Limited is a substantial shareholder of the Company holding 31.10% of its Shares. The transactions contemplated under the Disposal Agreement therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

## **2. INFORMATION ON THE HELICOPTER**

The Helicopter is owned by the Vendor. It was purchased by the Vendor prior to the initial public offering of the Company in October 2010.

The Group currently leases the Helicopter to MC Petropavlovsk, a subsidiary of Petropavlovsk, pursuant to the Subsequent Renewed Helicopter Lease Deed. As set out in the paragraph headed “Termination of Connected Transaction – The Subsequent Renewed Lease Deed” below, the Subsequent Renewed Helicopter Lease Deed will be terminated with effect from Completion.

As at 30 November 2019, the unaudited net book value of the Helicopter was approximately US\$5.2 million.

## **3. THE DISPOSAL AGREEMENT**

**Date:** 13 December 2019

**Parties:** (1) the Vendor, as the vendor; and

(2) the Purchaser, as the purchaser

### **Subject matter**

The Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to buy, the Helicopter for the Consideration.

### **Consideration**

The Consideration payable by the Purchaser to the Vendor for the Disposal is RUB304,859,166.67 (equivalent to approximately US\$4.9 million).

The Consideration shall be settled in full by immediately available funds transfer on the Completion Date.

### **Basis of determination of the Consideration**

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the preliminary valuation conducted by an independent valuer, being RUB304,859,166.67 (equivalent to approximately US\$4.9 million) (excluding VAT); (ii) the unaudited net book value of the Helicopter in the amount of approximately US\$5.2 million as at 30 November 2019; and (iii) the reasons and benefits as set out in the paragraph headed “Reasons for and benefits of the Disposal” below.

## **Purpose**

The Group entered into the Disposal Agreement to effect the sale of the Helicopter, an asset which the Board has determined is not required for the purpose of the Group's core mining business. The purpose of the Disposal is to raise capital for the purpose of funding the general working capital needs of the Group, including for the purpose of paying interest and principal amounts on loans of the Group.

## **Completion**

Completion shall take place on 13 December 2019.

## **4. REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group entered into the Disposal Agreement to effect the sale of the Helicopter, an asset which the Board has determined is not required for the purpose of the Group's core mining business. The Disposal will allow the Group to raise capital for the purpose of funding the general working capital needs of the Group, including for the purpose of paying interest and principal amounts on loans of the Group.

The Directors (including the Independent Non-executive Directors) consider that, while the Disposal Agreement has not been entered into in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **5. FINANCIAL EFFECTS OF THE DISPOSAL**

The Group is expected to record a net loss (after deducting the relevant taxes and expenses) of approximately US\$0.3 million as a result of the Disposal, which represents the difference between the Consideration and the net book value of the Helicopter as at the date of this announcement. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

## **6. INTENDED USE OF PROCEEDS**

The Directors expect that the net proceeds from the Disposal of approximately US\$4.9 million will be used by the Company for the purpose of funding the general working capital needs of the Group, including for the purpose of paying interest and principal amounts on loans of the Group.

## **7. GENERAL INFORMATION ABOUT THE PARTIES**

The Company is headquartered in Hong Kong and listed on the Stock Exchange. It is an established explorer, developer and producer of iron ore and other industrial commodities products in the Russian Far East, taking advantage of superior road infrastructure to deliver its projects and products quickly and at lower cost to its customer base, predominantly in China.

The Vendor is a company registered in Russia and is principally engaged in exploration and mining activities. The Vendor is a subsidiary of the Company.

The Purchaser is a company incorporated in Russia and is principally engaged in gold exploration and production activities. The Purchaser is a subsidiary of Petropavlovsk, which is listed on the London Stock Exchange.

## **8. IMPLICATIONS UNDER THE LISTING RULES**

The Purchaser is a connected person of the Company for the purposes of Listing Rules 14A.07(4) and 14A.13(1) as it is a subsidiary of Petropavlovsk, the holding company of Cayiron Limited. Cayiron Limited is a substantial shareholder of the Company holding 31.10% of its Shares. The transactions contemplated under the Disposal Agreement therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 0.1% but less than 5%, the Disposal is exempt from the independent shareholders' approval requirement, and is subject only to the reporting and announcement requirements in respect of connected transactions set out in Chapter 14A of the Listing Rules.

Apart from Mr Danila Kotlyarov, who has been appointed as the Chief Financial Officer of Petropavlovsk with effect from 1 February 2020 and has abstained from voting on the relevant Board resolutions approving the Disposal Agreement and the transactions contemplated thereunder, none of the Directors have a material interest in the Disposal Agreement and the transactions contemplated thereunder.

## **9. TERMINATION OF CONNECTED TRANSACTION – THE SUBSEQUENT RENEWED LEASE DEED**

The Vendor, the Company and MC Petropavlovsk are parties to the Subsequent Renewed Helicopter Lease Deed. Pursuant to the Subsequent Renewed Helicopter Lease Deed, the Vendor leases the Helicopter to MC Petropavlovsk for use in Petropavlovsk's operations. MC Petropavlovsk is a subsidiary of Petropavlovsk.

The Subsequent Renewed Helicopter Lease Deed is a continuing connected transaction for the purposes of Chapter 14A of the Listing Rules.

The Vendor, the Company and MC Petropavlovsk have agreed that the Subsequent Renewed Helicopter Lease Deed will be terminated with effect from Completion.

## DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the same meanings set out below:

“Board”	the board of directors of the Company
“Cayiron Limited”	Cayiron Limited, a company incorporated and validly existing in the Cayman Islands, registered under number 240761 whose registered office is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, and a subsidiary of Petropavlovsk
“Company”	IRC Limited, a company incorporated in Hong Kong whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal, in accordance with the Disposal Agreement
“Completion Date”	13 December 2019
“Connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration for the purchase of the Helicopter under the Disposal Agreement, being the sum of RUB304,859,166.67 (equivalent to approximately US\$4.9 million)
“Directors”	the director(s) of the Company
“Disposal”	the disposal of the Helicopter by the Vendor to the Purchaser, as contemplated under the Disposal Agreement
“Disposal Agreement”	the agreement dated 13 December 2019 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries from time to time
“Helicopter”	the helicopter owned by the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MC Petropavlovsk”	MC Petropavlovsk CJSC a company registered in Russia whose registered office is at 140/1 Lenina Street, Blagoveshchensk, Amur Region, 675005, Russian Federation, and a subsidiary of Petropavlovsk

“Petropavlovsk”	Petropavlovsk PLC, a public company incorporated in England and Wales with registered number 04343841 and listed on the Main Market of the London Stock Exchange
“RUB”	the lawful currency for the time being of the Russian Federation
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Renewed Helicopter Lease Deed”	the deed dated 26 March 2019 between the Vendor, MC Petropavlovsk and the Company pursuant to which the Vendor leases the Helicopter to MC Petropavlovsk
“the Purchaser”	JSC “Pokrovskiy mine”, a joint stock company incorporated and existing in accordance with the laws of the Russian Federation, OGRN 1022800928754, INN 2801023444, with registered office at: 676150, Amur Region, Magdagachinskiy District, Tygda village, Sovetskaya Str., 17
“the Vendor”	LLC GMMC, a company registered in Russia whose registered office is at Ignatyevskoye Shosse, 19, Blagoveshchensk, 675028, Russian Federation, and a subsidiary of the Company
“US\$”	means the lawful currency for the time being of the United States of America
“VAT”	value added tax
“%”	per cent.

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

Hong Kong, People’s Republic of China  
Friday, 13 December 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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