

**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in IRC Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

**AXIOMA CAPITAL FZE LLC**

*(Incorporated in United Arab Emirates  
with limited liability)*



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

**COMPOSITE DOCUMENT RELATING TO  
MANDATORY CONDITIONAL CASH OFFERS  
BY FIRST FIDELITY CAPITAL (INTERNATIONAL) LIMITED  
FOR AND ON BEHALF OF  
AXIOMA CAPITAL FZE LLC  
TO ACQUIRE ALL THE ISSUED SHARES OF IRC LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY AXIOMA CAPITAL FZE LLC AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
IRC LIMITED**

**Financial Adviser to the Offeror**



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

**Offer Agent to the Offeror**



**First Fidelity Capital**  
**首信資本集團**

**Independent Financial Adviser to the Independent Board Committee**

**AMASSE CAPITAL**  
**寶 積 資 本**

Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from FFC containing, among other things, details of the terms of the Offers is set out on pages 7 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 to 23 of this Composite Document. A letter from the Independent Board Committee is set out on pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 26 to 47 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Forms of Acceptances of the Offers should be received by the Registrar or the company secretary of the Company (as the case may be) as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Friday, 12 January 2024 or such later time and/or the date as the Offeror may determine and the Offeror and the Company may jointly announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Important Notice" contained in this Composite Document before taking any action. It is the responsibility of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from such shareholder or optionholder in respect of such jurisdictions. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.ircgroup.com.hk>.

22 December 2023

# CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE .....	ii
IMPORTANT NOTICE .....	v
DEFINITIONS .....	1
LETTER FROM FFC .....	7
LETTER FROM THE BOARD .....	19
LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....	24
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER .....	26
APPENDIX I — FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS .....	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP .....	II-1
APPENDIX III — GENERAL INFORMATION OF THE GROUP .....	III-1
APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR .....	IV-1
ACCOMPANYING DOCUMENTS — FORMS OF ACCEPTANCE	

## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all references to time and date contained in this Composite Document and the Form(s) of Acceptance refer to Hong Kong time and dates.*

Event	Time and Date
	<b>2023</b>
Despatch date of this Composite Document and the Form(s) of Acceptance ( <i>Note 1</i> ) .....	Friday, 22 December
Offers open for acceptance ( <i>Note 1</i> ) .....	Friday, 22 December
	<b>2024</b>
Latest time and date for acceptance of the Offers on the first Closing Date ( <i>Notes 2, 3 and 6</i> ) .....	by 4:00 p.m. on Friday, 12 January
First Closing Date ( <i>Note 2</i> ) .....	Friday, 12 January
Announcement of the results of the Offers as at the first Closing Date to be posted on the websites of the Stock Exchange and the Company ( <i>Note 2</i> ) .....	by 7:00 p.m. on Friday, 12 January
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offers at or before 4:00 p.m. on the first Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) ( <i>Notes 4 and 6</i> ) .....	Tuesday, 23 January
Latest time and date for the Offers remaining open for acceptance on the final Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) ( <i>Notes 3, 5, and 6</i> ) .....	by 4:00 p.m. on Friday, 26 January
Final Closing Date of the Offers (assuming the Offers become or are declared unconditional on the first Closing Date) .....	by 4:00 p.m. on Friday, 26 January
Announcement of the results of the Offers as at the final Closing Date to be posted on the websites of the Stock Exchange and the Company ( <i>Note 5</i> ) .....	by 7:00 p.m. on Friday, 26 January

## EXPECTED TIMETABLE

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offers at or before 4:00 p.m. on the final Closing Date (assuming the Offers become or are declared unconditional in all respects on the first Closing Date) (*Notes 4 and 6*) . . . . . Tuesday, 6 February

Latest time and date by which the Offers can become or be declared unconditional as to acceptances (*Note 7*) . . . . . by 7:00 p.m. on Tuesday, 20 February

*Notes:*

1. The Offers, which are conditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code.
2. The Offers must initially be opened for acceptance for at least twenty-one (21) days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offers will be 4:00 p.m. on Friday, 12 January 2024 unless the Offeror extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on Friday, 12 January 2024 stating either the next Closing Date or that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers closed to Offer Shareholders and Offer Optionholders who have not accepted the Offers.
3. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in the paragraph headed "1. General Procedures for Acceptance of The Share Offer" in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Offers are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "VII. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.

4. Subject to the Offers becoming unconditional, payment of the consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Share Offer will be made in cheque to the Offer Shareholders (to the address specified on the WHITE Form of Share Offer Acceptance) accepting the Offers by ordinary post at his/her/its own risk, and payment of the consideration for the Share Options surrendered for cancellation under the Option Offer will be made to the Company as the agent of the Offer Optionholders, by cheque(s) drawn in the name of the Company, or at the election of the Offeror, by wire transfer to the bank account of the Company. The Company will transfer any payment received to the respective Offer Optionholders by issue of cheque (to the address specified on the PINK Form of Option Offer Acceptance) or wire transfer. Payment to Offer Shareholders by the Offeror and payment to Offer Optionholders by the Company will be made as soon as possible, but in any event no later than seven (7) business days after the later of (i) the date on which the Offers become, or are declared, unconditional and (ii) the date of receipt by the Registrar (in the case of the Share Offer) and/or the company secretary of the Company (in the case of Option Offer) of the duly completed Form(s) of Acceptance together with all relevant documents required to render such acceptance under the Offers complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

## EXPECTED TIMETABLE

5. In any event, in accordance with the Takeovers Code, where the Offers become or are declared unconditional, the Offers should remain open for acceptance for not less than fourteen (14) days thereafter. When the Offers become or are declared unconditional in all respects, at least fourteen (14) days' notice in writing must be given before the Offers closed to those Offer Shareholders and Offer Optionholders who have not accepted the Offers. The Offeror has the right, subject to the Takeover Code, to extend the Offers until such date as it may determine or as permitted by the Executive. The Offeror and the Company will jointly issue an announcement in relation to any extension of the Offers, which will state the next Closing Date or, if the Offers have become or are at that time unconditional, that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice will be given before the Offers are closed, to those Offer Shareholders who have not accepted the Offers and an announcement will be published.
6. If there is a tropical cyclone warning signal number 8 or above or "extreme conditions" caused by super typhoon or a black rainstorm warning:
  - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same business day and the latest date for posting of remittances will also remain on the same business day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the latest date for posting of remittances will also be next following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
7. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the sixtieth (60th) day after the day this Composite Document is posted, which is 22 December 2023. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse on 20 February 2024 unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offers can become or declared unconditional as to acceptance is 20 February 2024.

Save as mentioned above, if the latest time for acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Offer Shareholders and Offer Optionholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

## IMPORTANT NOTICE

### NOTICE TO THE OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of (i) the Share Offer to Offer Shareholders; and (ii) the Option Offer to Offer Optionholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Overseas Shareholders and Overseas Optionholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such Overseas Shareholder who wishes to accept the Share Offer and each such Overseas Optionholder who wishes to accept the Option Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Overseas Shareholder or Overseas Optionholder in such relevant jurisdictions.

Any acceptance by such Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including the financial adviser, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

For further discussion, please refer to the sections headed “Overseas Shareholders and Overseas Optionholders” in the Letter from FFC as set out on pages 7 to 18 of and Appendix I to this Composite Document.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the Listing Rules and/or the Takeovers Code.

## DEFINITIONS

*In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:*

“Acquisition”	the acquisition of 401,812,360 Sale Shares by the Offeror pursuant to the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	means Friday, 12 January 2024, being the first closing date of the Offers as stated in the section headed “Expected Timetable” in this Composite Document, which is 21 calendar days after the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as extended and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“Company”	IRC Limited (stock code: 1029), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Composite Document”	the composite offer and response document jointly issued by the Offeror and the Company to all the Offer Shareholders and the Offer Optionholders in accordance with the Takeovers Code, setting out, among others, details of the Offers
“Director(s)”	the director(s) of the Company from time to time

## DEFINITIONS

“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“FFC”	First Fidelity Capital (International) Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the agent making the Offers for and on behalf of the Offeror
“Form(s) of Acceptance”	the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance, and “Form of Acceptance” means either of them
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all 4 independent non-executive Directors (namely Mr. Dmitry Vsevolodovich Dobryak, Ms. Natalia Klimentievna Ozhegina, Mr. Vitaly Georgievich Sheremet and Mr. Alexey Mihailovich Romanenko), which has been established to advise the Offer Shareholders and Offer Optionholders in respect of the Offers, in particular as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code

## DEFINITIONS

“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed for the purpose of advising the Independent Board Committee in respect of the Offers
“Joint Announcement”	the announcement dated 8 November 2023 issued jointly by the Offeror and the Company in relation to, among others, the Offers
“Last Trading Day”	1 November 2023, being the last full trading day of the Shares on the Stock Exchange immediately prior to the trading suspension in the Shares before the publication of the Joint Announcement
“Latest Practicable Date”	19 December 2023, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Levitskii”	Mr. Nikolai Valentinovich Levitskii, being a non-executive Director, the chairman of the Board as well as the beneficial owner and the sole manager of the Offeror
“Offer Option(s)”	all and any of the Share Options that are subject to the Option Offer
“Offer Optionholder(s)”	Optionholder(s), other than the Offeror and the parties acting in concert with it
“Offer Period”	the period commencing on 8 November 2023, being the date of the Joint Announcement, and ending on the Closing Date
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it, that are subject to the Share Offer
“Offer Shareholder(s)”	Shareholder(s), other than the Offeror and parties acting in concert with it

## DEFINITIONS

“Offeror”	AXIOMA CAPITAL FZE LLC, being a company incorporated in United Arab Emirates with limited liability and wholly, ultimately and beneficially owned by Mr. Levitskii
“Offers”	collectively, the Share Offer and the Option Offer
“Option Offer”	the mandatory conditional cash offer to be made by FFC for and on behalf of the Offeror to cancel all the outstanding Share Options in accordance with the Takeovers Code
“Option Offer Price”	the price at which the Option Offer is made, being HK\$0.0001 per Share Option
“Optionholder(s)”	holder(s) of the Option(s)
“Overseas Optionholder(s)”	Optionholder(s) whose address(es), as shown on the register of Optionholders of the Company, is/are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PINK Form of Option Offer Acceptance”	the PINK form of acceptance in respect of the Option Offer accompanying this Composite Document
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers
“Registrar”	Union Registrars Limited, the Hong Kong share registrar and transfer office of the Company, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period from 8 May 2023, being the date falling six months prior to 8 November 2023 (being the date of the Joint Announcement and the commencement of the Offer Period) and ending on and including the Latest Practicable Date

## DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 1 November 2023 and entered into between the Vendor, as vendor, and the Offeror, as purchaser, in relation to the Acquisition
“Sale Share(s)”	401,812,360 Shares sold by the Vendor under the Sale and Purchase Agreement, representing approximately 4.72% of the total issued share capital of the Company as at the date of the Joint Announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Offer”	the mandatory conditional cash offer to be made by FFC for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions to be set out in the Composite Document in accordance with the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.118 per Offer Share
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 20 November 2015
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

## DEFINITIONS

“Vendor”	OIKKU FINANCE LIMITED, a company wholly, ultimately and beneficially owned by Ms. Olga Chesnokova, each of which/whom is third party independent of and not connected with the Company, and the beneficial owner of the 401,812,360 Sale Shares, representing approximately 4.72% of the total issued share capital of the Company as at the date of the Joint Announcement immediately prior to the completion of the Acquisition
“WHITE Form of Share Offer Acceptance”	the WHITE form of acceptance in respect of the Share Offer accompanying this Composite Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

*For the purpose of this Composite Document, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.82. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

## LETTER FROM FFC



36/F., Times Tower,  
393 Jaffe Road, Wan Chai,  
Hong Kong

22 December 2023

*To the Offer Shareholders and Offer Optionholders,*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS  
BY FIRST FIDELITY CAPITAL (INTERNATIONAL) LIMITED  
FOR AND ON BEHALF OF  
AXIOMA CAPITAL FZE LLC  
TO ACQUIRE ALL THE ISSUED SHARES OF IRC LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY AXIOMA CAPITAL FZE LLC AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
IRC LIMITED**

### INTRODUCTION

Reference is made to the Joint Announcement jointly published by the Offeror and the Company dated 8 November 2023.

The Offeror (as purchaser) and the Vendor (as vendor) entered into the Sale and Purchase Agreement on 1 November 2023, pursuant to which the Vendor agreed to sell, and the Offeror agreed to acquire, the beneficial interest in the Sale Shares (being 401,812,360 Shares), representing approximately 4.72% of the total issued share capital of the Company as at the date of the Joint Announcement, at a total consideration of HK\$47,413,858.48, which is equivalent to HK\$0.118 per Sale Share. Completion took place on 1 November 2023.

Immediately prior to the Completion, the Offeror and the parties acting in concert with it were interested in 2,205,900,000 Shares, representing approximately 25.89% of the total issued share capital of the Company. Immediately after the Completion, the Offeror and parties acting in concert with it are interested in 2,607,712,360 Shares, representing approximately 30.61% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Option Offer is also required to be made to cancel all the outstanding Share Options. FFC, for and on behalf of the Offeror, is making the Share Offer to acquire all the Offer Shares and the Option Offer to cancel all the outstanding Share Options in accordance with the Takeovers Code and on the terms set out in this Composite Document.

## LETTER FROM FFC

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offers, together with the information on the Offeror and the Offerors' intention on the Group. Further details on the terms and procedures for acceptances of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Offer Shareholders and Offer Optionholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as well as the appendices as contained in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

### INFORMATION OF THE OFFERS

FFC is making the Offers, for and on behalf of the Offeror, (i) to acquire all the Offer Shares; and (ii) to cancel all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code on the terms set out in this Composite Document and in the Forms of Acceptance, on the following basis:

#### The Share Offer

**For each Offer Share . . . . . HK\$0.118 in cash**

The Share Offer Price of HK\$0.118 per Offer Share is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances and together with all rights and interests attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which is outstanding and not yet paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offers.

If, after the date of despatch of the Composite Document, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the net amount of such dividend or other distribution, in which case any reference in the Joint Announcement, the Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

## LETTER FROM FFC

### Comparison of value of the Offer Price

The Offer Price of HK\$0.118 per Offer Share represents:

- (i) a premium of approximately 25.53% over the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 32.58% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 71.36% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.412 as at 31 December 2022, which was calculated based on the Group's latest published audited consolidated net assets attributable to owners of the Company of approximately US\$448,608,000 (equivalent to approximately HK\$3,508,115,000) as extracted from the annual report of the Company for the year ended 31 December 2022 and 8,519,657,257 Shares in issue as at 31 December 2022; and
- (vii) a discount of approximately 66.38% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.351 as at 30 June 2023, which was calculated based on the Group's latest published unaudited consolidated net assets attributable to owners of the Company of approximately US\$382,023,000 (equivalent to approximately HK\$2,987,420,000) as extracted from the interim report of the Company for the six months ended 30 June 2023 and 8,519,657,257 Shares in issue as at 30 June 2023.

## **The Option Offer**

**For cancellation of each Share Option . . . . . HK\$0.0001 in cash**

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise prices of the Share Options and the Share Offer Price. Given that the exercise price of the outstanding Share Options of HK\$0.296 per Share Option is above the Share Offer Price of HK\$0.118 per Offer Share, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option will be a nominal cash amount of HK\$0.0001.

As at the Latest Practicable Date, save for the 178,889,628 outstanding Share Options, the Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares.

## **Conditions to the Offers**

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company. The Option Offer will be conditional on the Share Offer becoming or being declared unconditional in all respects.

Further announcement(s) in relation to the revision, extension or lapse of the Offers or the fulfillment of the conditions of the Offers shall be made in accordance with the Takeovers Code and the Listing Rules in due course.

## **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.104 per Share on 9 November 2023 and HK\$0.082 per Share on 17 May 2023, respectively.

## **Value of the Offer**

As at the Latest Practicable Date, the Company had 8,519,657,257 Shares in issue. On the basis of the Share Offer Price of HK\$0.118 per Offer Share, the entire issued share capital of the Company would be valued at approximately HK\$1,005,319,556.

As at the Latest Practicable Date, under the Share Option Scheme, there are 178,889,628 outstanding Share Options, all of which have been vested to the relevant grantees.

## LETTER FROM FFC

Assuming that (i) there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the close of the Offers; and (ii) no outstanding Share Options are exercised, and excluding the 2,607,712,360 Shares held by the Offeror as at the Latest Practicable Date, 5,911,944,897 Shares will be subject to the Share Offer and the 178,889,628 outstanding Share Options will be subject to the Option Offer. In the case that the Share Offer and the Option Offer are accepted in full, (i) the maximum consideration payable by the Offeror for the Share Offer is valued at approximately HK\$697,609,498; and (ii) the maximum consideration payable by the Offeror for the cancellation of all outstanding Share Options under the Option Offer is valued at approximately HK\$17,889. The aggregate value of the Offers is approximately HK\$697,627,387.

Assuming that (i) there is no change in the issued share capital of the Company (other than the allotment and issue of the new Shares upon exercise of the outstanding Share Options) from the Latest Practicable Date and up to the close of the Offers; and (ii) the outstanding Share Options are exercised in full, and excluding the 2,607,712,360 Shares held by the Offeror as at the Latest Practicable Date, 6,090,834,525 Shares will be subject to the Share Offer and no Share Options will be subject to the Option Offer. In the case that the Share Offer is accepted in full, the maximum consideration payable by the Offeror for the Share Offer is valued at approximately HK\$718,718,474; and (iii) no amount will be payable by the Offeror for the Option Offer. The aggregate value of the Offers is approximately HK\$718,718,474.

### **Confirmation of financial resources sufficiency**

The Offeror intends to finance the consideration payable under the Offers in full by its own internal resources. Red Sun Capital Limited, being the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient resources are and will remain available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Offers.

### **Effects of accepting the Offers**

Acceptance of the Share Offer by any Offer Shareholders will constitute a warranty by such person that all Offer Shares to be sold by such person under the Share Offer are fully paid and free and clear of all Encumbrances whatsoever together with all rights and interests attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of the Composite Document.

By validly accepting the Option Offer, the Offer Options tendered by the Offer Optionholders will be cancelled, together with all rights and interests attaching thereto. The Share Options will lapse automatically (to the extent not exercised) upon the close of the Offers.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

**Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Offer Shareholders who accepted the Share Offer. The Offeror will bear the Offeror's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

**Payment**

Subject to the Offers having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event no later than seven (7) business days (as defined in the Takeovers Code) after the later of the date of receipt of completed and valid acceptance of the Offers, or the date on which the Offers become or are declared unconditional in all aspects.

Relevant documents evidencing title must be received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of Option Offer) to render such acceptance of the Offers complete and valid. The latest time on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of the Composite Document (or such later date to which the Executive may consent). If the Offers are withdrawn or lapse, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event no later than seven (7) business days (as defined in the Takeovers Code) after the Offers are withdrawn or lapse, post the Share certificates and Share Option certificates (if applicable) lodged with the Form(s) of Acceptance to, or make such Share certificates and Share Option certificates (if applicable) available for collection by, those Offer Shareholders and Offer Optionholders who have accepted the Offers.

No fractions of a Hong Kong cent will be payable and the amount of the consideration payable to an Offer Shareholder or an Offer Optionholder who accepts the Offers will be rounded up to the nearest Hong Kong cent.

**Taxation advice**

Offer Shareholders and Offer Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Company, the Offeror or parties acting in concert with it or any of their respective directors, officers or

## LETTER FROM FFC

associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### **Overseas Shareholders and Overseas Optionholders**

The Offeror intends to make the Offers available to all Offer Shareholders and Offer Optionholders, including the Overseas Shareholders and Overseas Optionholders. However, the Offers to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they reside. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders and/or Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice.

According to the register of members and register of Optionholders of the Company as at the Latest Practicable Date, there were 2 Offer Shareholders with registered addresses in Russia and United Arab Emirates, and 19 Optionholders with registered addresses in Russia.

The Offeror has obtained advice from law firms qualified to advise on the laws of Russia and the United Arab Emirates, each of them opined that there is no requirement for any of the Company, FFC or the Offeror to obtain any prior approval, consent or registration with any governmental, regulatory or such other authority in Russia or the United Arab Emirates (as the case may be) in relation to the extension of the Offers, and the despatch of this Composite Document to the Overseas Shareholders and Overseas Optionholders with registered addresses in Russia or the United Arab Emirates (as the case may be).

It is the responsibility of Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

Any acceptance by the Offer Shareholders and beneficial owners of the Offer Shares and/or the Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Such Offer Shareholders and Offer Optionholders should consult their respective professional advisers if in doubt. Offer Shareholders and Offer Optionholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**DEALING AND INTERESTS IN THE COMPANY'S SECURITIES**

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for (a) the acquisition of 85,900,000 Shares on 28 July 2023 by the Offeror from Ineth Limited, being a third party independent of and not connected with the Offeror, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; (b) the acquisition of 2,120,000,000 Shares on 28 July 2023 by the Offeror from AXIOMI CONSOLIDATION LTD, being a wholly-controlled company of Mr. Levitskii, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; and (c) the Acquisition, neither the Offeror nor any person acting in concert with it has dealt for value in any Shares, warrants, options or derivatives of the Company or other securities convertible into Shares during the Relevant Period;
- (ii) save for the 2,607,712,360 Shares held by the Offeror, neither the Offeror nor any person acting in concert with it owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (iv) neither the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept the Offers;
- (v) there is no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (vi) neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vii) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any person acting in concert with it;
- (viii) save for the consideration of HK\$47,413,858.48 paid by the Offeror to the Vendor under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror and parties acting in concert with it to the Vendor and parties acting in concert with it in connection with the Acquisition;

## LETTER FROM FFC

- (ix) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and/or any parties acting concert with it on the other hand, and the Vendor and any parties acting in concert with it on the other hand; and
- (x) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

### INFORMATION ON THE GROUP

The Company is a company incorporated in Hong Kong with limited liability on 4 June 2010, the Shares of which have been listed on the Main Board of the Stock Exchange since 21 October 2010. The principal activity of the Company is investment holding. The Group is principally engaged in the mining business and the production and development of industrial commodities products including iron ore concentrate.

Further information on the Group is set out in the paragraph headed “6. Information of the Group” in the “Letter from the Board” in this Composite Document.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in United Arab Emirates with limited liability and is wholly, ultimately and beneficially owned by Mr. Levitskii, being a non-executive Director and the chairman of the Board. It is principally engaged in the investment and management of securities.

As at the Latest Practicable Date, the Offeror is the single largest Shareholder holding 2,607,712,360 Shares, representing approximately 30.61% of the total issued share capital of the Company. Mr. Levitskii, aged 51, has spent 30 years in the sectors of mining, oil and gas and banking in Russia.

### THE OFFEROR’S INTENTION ON THE GROUP

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Offers and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group.

## LETTER FROM FFC

Nevertheless, following the close of the Offers, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the Listing Rules and the Takeovers Code.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group.

As at the Latest Practicable Date, the Offeror had no plan to change the composition of the Board or to terminate the employment of any other employees or other personnel of the Group following the close of the Offers. However, the Offeror reserve the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

### **PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares following the close of the Offers. Each of the Company, the Directors, the Offeror, the sole manager of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

Steps that may be taken include but are not limited to placing down of sufficient number of accepted Shares by the Offeror, or procuring the disposal of a sufficient number of Shares held by the Offeror and/or parties acting in concert with it, and/or procuring the issue of new Shares by the Company for this purpose. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

## LETTER FROM FFC

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not tendered for acceptance under the Offers.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offers, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Offer Shareholders and Offer Optionholders, those Offer Shareholders and Offer Optionholders who hold Shares and Share Options as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares and the Share Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

Attention of the Overseas Shareholders and Overseas Optionholders is drawn to paragraph headed "VIII. Overseas Shareholders and Overseas Optionholders" in Appendix I to this Composite Document. All communications, notices, Form(s) of Acceptance, Share certificate(s), Share Option certificate(s) (if applicable) transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Offer Shareholders and Offer Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and its parties acting in concert, FFC, Red Sun Capital, Amasse Capital and any of their respective ultimate beneficial owners, directors, officers, agents and associates nor other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance.

## LETTER FROM FFC

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,  
For and on behalf of  
**First Fidelity Capital (International) Limited**  
**Wong Ho Man, Julian**  
*Director*

LETTER FROM THE BOARD



**IRC Limited 鐵江現貨有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1029)**

*Board of Directors*

*Executive Director:*

Mr. Denis Vitalievich Cherednichenko

*Non-executive Director:*

Mr. Nikolai Valentinovich Levitskii

*(Chairman of the Board)*

*Independent non-executive Directors:*

Mr. Dmitry Vsevolodovich Dobryak

Ms. Natalia Klimentievna Ozhegina

Mr. Vitaly Georgievich Sheremet

Mr. Alexey Mihailovich Romanenko

*Company Secretary*

Mr. Johnny Shiu Cheong Yuen

*Registered office and principal place  
of business in Hong Kong:*

6H, 9 Queen's Road Central  
Central, Hong Kong

22 December 2023

*To Offer Shareholders and Offer Optionholders:*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS  
BY FIRST FIDELITY CAPITAL (INTERNATIONAL) LIMITED  
FOR AND ON BEHALF OF  
AXIOMA CAPITAL FZE LLC  
TO ACQUIRE ALL THE ISSUED SHARES OF IRC LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY AXIOMA CAPITAL FZE LLC AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
IRC LIMITED**

**1. INTRODUCTION**

Reference is made to the Joint Announcement.

## LETTER FROM THE BOARD

The Company was informed by the Offeror that on 1 November 2023, the Offeror and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has agreed to sell and the Offeror has agreed to purchase 401,812,360 Sale Shares, representing approximately 4.72% of the total issued share capital of the Company as at the date of the Joint Announcement and as at the Latest Practicable Date, at a consideration of HK\$47,413,858.48, which is equivalent to HK\$0.118 per Sale Share. The Acquisition was completed on 1 November 2023.

Immediately prior to the Completion, the Offeror and the parties acting in concert with it were interested in 2,205,900,000 Shares, representing approximately 25.89% of the total issued share capital of the Company. Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 2,607,712,360 Shares, representing approximately 30.61% of the total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make an appropriate cash offer to the Optionholders to cancel all the outstanding Share Options.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other matters, (i) information relating to the Group, the Offeror and the Offers; (ii) a letter from FFC containing, among other things, details of the Offers; (iii) a letter of recommendation from the Independent Board Committee containing its recommendations to the Offer Shareholders and Offer Optionholders in relation to the Offers; and (iv) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee on the terms of the Offers and as to their acceptance; and (v) the Form(s) of Acceptance.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

## **2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Mr. Dmitry Vsevolodovich Dobryak, Ms. Natalia Klimentievna Ozhegina, Mr. Vitaly Georgievich Sheremet and Mr. Alexey Mihailovich Romanenko, each of whom being an independent non-executive Director who has no relationship with the Offeror and/or Mr. Levitskii and has no direct and indirect interest in the Offers, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Offer Shareholders and Offer Optionholders in respect of the Offers, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

Mr. Levitskii, being a non-executive Director, the chairman of the Board as well as the beneficial owner and the sole manager of the Offeror, is considered to have conflict of interest in advising on the terms of the Offers, and therefore has not been appointed as a member of the Independent Board Committee.

## LETTER FROM THE BOARD

With the approval of the Independent Board Committee, Amasse Capital Limited has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the terms of the Offers, and in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

### 3. THE OFFERS

As disclosed in the "Letter from FFC" in this Composite Document, FFC is making the Offers, for and on behalf of the Offeror, (i) to acquire all the Offer Shares; and (ii) to cancel all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code on the terms set out in this Composite Document and in the Form(s) of Acceptance on the following basis:

#### **The Share Offer**

**For each Offer Share . . . . . HK\$0.118 in cash**

#### **The Option Offer**

**For the cancellation of each Share Option . . . . . HK\$0.0001 in cash**

Further details of the Offers are set out under the section headed "Letter from FFC" and Appendix I to this Composite Document and the accompanying Form(s) of Acceptance, which together set out the terms and conditions of the Offers and certain related information.

### 4. OFFEROR'S INTENTION ON THE COMPANY

Your attention is drawn to the section headed "The Offeror's Intention on the Group" in the "Letter from FFC" in this Composite Document which sets out the intention of the Offeror regarding the Group.

The Board is pleased to note the intention of the Offeror in respect of the Group as disclosed. The Board is willing to cooperate with the Offeror for the best interests of the Company and its Shareholders as a whole.

### 5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from FFC" in this Composite Document for information relating to the Offeror.

### 6. INFORMATION OF THE GROUP

The Company is a company incorporated in Hong Kong with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Group is principally engaged in the mining business and the production and development of industrial commodities products including iron ore concentrate.

## LETTER FROM THE BOARD

### Shareholding structure of the Company

The table below sets out the shareholding structure of the Company immediately (i) before the completion of the Acquisition and (ii) after the completion of the Acquisition and as at the Latest Practicable Date:

Shareholders	Immediately prior to the completion of the Acquisition		Immediately after the completion of the Acquisition and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate % (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate % (Note 1)</i>
<b>The Offeror and parties acting in concert with it</b>				
– The Offeror (Note 2)	2,205,900,000	25.89	2,607,712,360	30.61
<b>MIC Invest Limited Liability Company ("MIC") (Note 3)</b>	1,419,942,876	16.67	1,419,942,876	16.67
<b>Public Shareholders</b>	<u>4,893,814,381</u>	<u>57.44</u>	<u>4,492,002,021</u>	<u>52.72</u>
<b>Total</b>	<b><u>8,519,657,257</u></b>	<b><u>100.00</u></b>	<b><u>8,519,657,257</u></b>	<b><u>100.00</u></b>

Notes:

- The percentage had been calculated on the basis of 8,519,657,257 issued Shares as at the Latest Practicable Date.
- The Offeror is wholly, ultimately and beneficially owned by Mr. Levitskii, being a non-executive Director and the chairman of the Board. As such, Mr. Levitskii is deemed or taken to be interested in the 2,607,712,360 Shares held by the Offeror upon the completion of the Acquisition and as at the Latest Practicable Date by virtue of the SFO.
- MIC is a company incorporated under the laws of the Russian Federation with limited liability and is wholly and beneficially owned by Ms. Kolesnikova Marina Alexeevna ("**Ms. Kolesnikova**"). As such, Ms. Kolesnikova is deemed or taken to be interested in the 1,419,942,876 Shares held by MIC by virtue of the SFO. Each of MIC and Ms. Kolesnikova is a third party independent of and not connected with the Offeror and Mr. Levitskii.
- Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Your attention is also drawn to Appendices II and III to this Composite Document which contain the financial information and the general information of the Group respectively.

## LETTER FROM THE BOARD

### 7. PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and maintenance of the listing status of the Company” in the “Letter from FFC” in this Composite Document.

### 8. FURTHER INFORMATION

You are advised to read the “Letter from FFC” in this Composite Document and the accompanying Form(s) of Acceptance for information relating to the Offers and the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

### 9. RECOMMENDATION

Your attention is drawn to (i) “Letter from the Independent Board Committee” as set out on pages 24 to 25 of this Composite Document, which contains the recommendation of the Independent Board Committee to the Offer Shareholders and Offer Optionholders in relation to the Offers; and (ii) “Letter from the Independent Financial Adviser” as set out on pages 26 to 47 of this Composite Document, which sets out the advice and recommendation of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendation. You are urged to read both letters and the other information contained in this Composite Document carefully before taking any action in respect of the Offers.

In considering what action to take in response to the Offers, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

By order of the Board  
**IRC Limited**  
**Denis Cherednichenko**  
*Chief Executive Officer*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.*



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

22 December 2023

*To Offer Shareholders and Offer Optionholders:*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS  
BY FIRST FIDELITY CAPITAL (INTERNATIONAL) LIMITED  
FOR AND ON BEHALF OF  
AXIOMA CAPITAL FZE LLC  
TO ACQUIRE ALL THE ISSUED SHARES OF IRC LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY AXIOMA CAPITAL FZE LLC AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
IRC LIMITED**

### **1. INTRODUCTION**

We refer to the Composite Document dated 22 December 2023 jointly issued by the Offeror and the Company of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to make recommendation to you as to whether, in our opinion, the Offers are fair and reasonable so far as the Offer Shareholders and Offer Optionholders are concerned and as to acceptance of the Offers.

Amasse Capital Limited, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Details of its advice and recommendation are set out in the "Letter from the Independent Financial Adviser" in the Composite Document.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from FFC”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form(s) of Acceptance.

### 2. RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we concur with the view of the Independent Financial Adviser and consider that the Offers (being the Share Offer and the Option Offer) are fair and reasonable so far as the Offer Shareholders and Offer Optionholders are concerned, and recommend (i) the Offer Shareholders to accept the Share Offer; and (ii) the Optionholders to accept the Option Offer.

Notwithstanding our recommendation, Offer Shareholders and Offer Optionholders are strongly advised that their decision to realise or hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, Offer Shareholders and Offer Optionholders should consult their own professional advisers for professional advice.

For and on behalf of the  
**Independent Board Committee of  
IRC Limited**

**Mr. Dmitry  
Vsevolodovich  
Dobryak**  
*Independent Non-  
executive Director*

**Ms. Natalia  
Klimentievna  
Ozhegina**  
*Independent Non-  
executive Director*

**Mr. Vitaly  
Georgievich  
Sheremet**  
*Independent Non-  
executive Director*

**Mr. Alexey  
Mihailovich  
Romanenko**  
*Independent Non-  
executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Amasse Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers prepared for the purpose of inclusion in this Composite Document.

**AMASSE CAPITAL**  
寶 積 資 本

22 December 2023

To the Independent Board Committee

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFERS  
BY FIRST FIDELITY CAPITAL (INTERNATIONAL) LIMITED  
FOR AND ON BEHALF OF  
AXIOMA CAPITAL FZE LLC  
TO ACQUIRE ALL THE ISSUED SHARES OF IRC LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY AXIOMA CAPITAL FZE LLC AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
IRC LIMITED**

### INTRODUCTION

We refer to our appointment as the Independent Financial Advisers to advise the Independent Board Committee in connection with the Offers. Details of the Offers are set out in the “Letter from FFC” enclosed in the composite document dated 22 December 2023 (the “**Composite Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 1 November 2023, the Offeror and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase 401,812,360 Sale Shares, representing approximately 4.72% of the total issued share capital of the Company as at the date of the Joint Announcement, at a consideration of HK\$47,413,858.48, which was equivalent to HK\$0.118 per Sale Share. The Acquisition was completed on 1 November 2023.

As at the date of the Joint Announcement, the Company had 8,519,657,257 Shares in issue. Immediately prior to the Completion, the Offeror and the parties acting in concert with it were interested in 2,205,900,000 Shares, representing approximately 25.89% of the total issued share capital of the Company. Immediately after the Completion, the Offeror and parties acting in concert with it were interested in 2,607,712,360 Shares, representing approximately 30.61% of the total issued share capital of the Company.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror would also make an appropriate cash offer to the Optionholders to cancel all the outstanding Share Options.

### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Mr. Dmitry Vsevolodovich Dobryak, Ms. Natalia Klimentievna Ozhegina, Mr. Vitaly Georgievich Sheremet and Mr. Alexey Mihailovich Romanenko, each of whom being an independent non-executive Director who has no relationship with the Offeror and/or Mr. Levitskii and has no direct and indirect interest in the Offers, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Offer Shareholders and Optionholders in respect of the Offers, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the terms of the Offers, and in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **OUR INDEPENDENCE**

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. As at the Latest Practicable Date, apart from the existing engagement in connection with the Offers, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection with the Company or the Offeror or the controlling shareholder(s) of either of them within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

It is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or the Offeror or any other parties that could reasonably be regarded as relevant to our independence.

Accordingly, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have reviewed, among others, the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 (the “**2020 Annual Report**”, the “**2021 Annual Report**” and the “**2022 Annual Report**”, respectively), the interim report of the Company for the six months period ended 30 June 2023 (the “**2023 Interim Report**”), the Joint Announcement and the Composite Document. We have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Directors. We have assumed that all information and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinion and recommendation. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers.

In formulating our opinions, we have not considered the tax implication on the Shareholders and Optionholders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Shareholders and Optionholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. The Shareholders and Optionholders will be informed should there be any material changes to the information contained or referred to herein or to our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

This letter is issued for the Shareholders and Optionholders solely in respect of the Offers and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

**THE OFFERS**

FFC, for and on behalf of the Offeror, is making the Offers (i) to acquire all the Offer Shares; and (ii) to cancel all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

**The Share Offer**

**For each Offer Share . . . . . HK\$0.118 in cash**

The Share Offer Price of HK\$0.118 per Offer Share is equal to the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document.

**The Option Offer**

**For cancellation of each Share Option . . . . . HK\$0.0001 in cash**

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise prices of the Share Options and the Share Offer Price. Given that the exercise price of the outstanding Share Options of HK\$0.296 per Share Option is above the Share Offer Price of HK\$0.118 per Offer Share, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option will be a nominal cash amount of HK\$0.0001.

As at the Latest Practicable Date, save for the 178,889,628 outstanding Share Options, the Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Conditions to the Offers

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company. The Option Offer will be conditional on the Share Offer becoming or being declared unconditional in all respects.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

#### 1. Information and financial performance of the Group

The Company is an investment holding company incorporated in Hong Kong with limited liability. The Group is principally engaged in the mining business and the production and development of industrial commodities products including iron ore concentrate.

The Group has four operating segments, including (i) the mines in production segment (the “**Mines in production Segment**”) comprises an iron ore project in production phase; (ii) the mines in development segment (the “**Mines in development Segment**”) comprises iron ore projects in the exploration and development phase; (iii) the engineering segment (the “**Engineering Segment**”) comprises in-house engineering and scientific expertise related to JSC Giproruda, which is located in Russia; and (iv) the other segment (the “**Other Segment**”) primarily includes the Group’s interests in a joint venture for the production of vanadium pentoxides and related products in the PRC as well as various other projects, which have similar economic characteristic and activities.

Set out below is a summary of the audited or unaudited consolidated financial information (as the case maybe) on the Group’s operations for (i) each of the three years ended 31 December 2020, 2021 and 2022 (“**FY2020**”, “**FY2021**” and “**FY2022**”, respectively) as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report; and (ii) each of the six months period ended 30 June 2022 and 2023 (“**6M2022**” and “**6M2023**”, respectively) as extracted from the 2023 Interim Report.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended		For the year ended		
	30 June		31 December		
	2023	2022	2022	2021	2020
	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (audited)
Revenue	139,179	165,658	278,757	371,279	224,591
– Mines in production Segment	139,143	165,610	278,574	371,063	224,382
– Mines in development Segment	–	–	–	–	–
– Engineering Segment	36	48	183	216	209
– Other Segment	–	–	–	–	–
(Loss)/Profit before taxation	(60,391)	(80,173)	(88,540)	134,103	102,112
(Loss)/Profit attributable to owners of the Company for the period/year	(65,698)	(77,885)	(87,896)	134,069	100,551
			<b>As at</b>	<b>As at</b>	
			<b>30 June</b>	<b>31 December</b>	
			<b>2023</b>	<b>2022</b>	
			US\$'000	US\$'000	
			(unaudited)	(audited)	
Total assets			540,222	593,952	
Total liabilities			158,787	145,681	
Net assets			381,435	448,271	
Net assets attributable to owners of the Company			382,023	448,608	

### *Financial performance for the six months period ended 30 June 2023*

For 6M2023, the Group recorded revenue of approximately US\$139.2 million, representing a decrease of approximately 16.0% as compared to that of approximately US\$165.7 million for 6M2022. The decrease in revenue was mainly due to the decrease of iron ore price as the average Platts 65% iron ore price was US\$132 per tonne for 6M2023, which was US\$33 per tonne or approximately 20.0% lower than that of US\$165 per tonne for 6M2022.

The loss attributable to owners of the Company for the 6M2023 was approximately US\$65.7 million, representing a decrease of approximately 15.7% as compared to that of approximately US\$77.9 million for 6M2022 mainly due to (i) the reduction of approximately US\$39.4 million in impairment loss of approximately US\$73.6 million of the property, plant and equipment and right-of-use assets of the K&S mine for 6M2023 when compared to that of approximately US\$113.0 million for 6M2022; and (ii) partially offset by the decrease in revenue.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial performance for the year ended 31 December 2022*

For FY2022, the Group recorded revenue of approximately US\$278.8 million, representing a decrease of approximately 24.9% as compared to that of approximately US\$371.3 million for FY2021. The decrease in revenue was mainly due to the decrease of iron ore price within FY2022 as the average Platts 65% iron ore price in 2022 was US\$139 per tonne, which was US\$47 per tonne or approximately 25.3% lower than that of US\$186 per tonne in 2021.

The loss attributable to owners of the Company for FY2022 was approximately US\$87.9 million, representing a turnaround as compared to a profit attributable to owners of the Company for FY2021 of approximately US\$134.1 million. The turnaround was mainly due to the reduction in revenue following the drop in average Platts 65% iron ore price, and the significant non-cash asset impairment of US\$103.2 million to the K&S mine and other assets following the weaker Platts 65% iron ore price as at 31 December 2022 (as compared to that as at 31 December 2021), changes in discount rate, inflation rate and forecast foreign exchange rates, as well as adjustments to the K&S mine's long-term mining and production plans, taking into account the updated mining plans and cost estimates.

### *Financial performance for the year ended 31 December 2021*

For FY2021, the Group recorded revenue of approximately US\$371.3 million, representing an increase of approximately 65.3% as compared to that of approximately US\$224.6 million for FY2020. The increase in revenue was mainly due to the increase of iron ore price within FY2021 as the average Platts 65% iron ore price in 2021 was US\$186 per tonne, which had increased US\$64 per tonne or approximately 52.5% when compared to that of US\$122 per tonne in 2020.

The profit attributable to owners of the Company for the FY2021 was approximately US\$134.1 million, representing an increase of approximately 33.3% as compared to that of approximately US\$100.6 million for FY2020, which was mainly due to the significant increase in average Platts 65% iron ore price as mentioned above.

### *Financial position as at 30 June 2023*

The total assets of the Group were approximately US\$540.2 million as at 30 June 2023, representing a decrease of approximately 9.1% as compared to that of approximately US\$594.0 million as at 31 December 2022. The decrease in total assets was mainly due to the decrease in recoverable amount of the property, plant and equipment following the impairment provision for the K&S mine as at 30 June 2023. The assets of the Group mainly consist of (i) property, plant and equipment; (ii) trade and other receivables; and (iii) bank and cash balances. The property, plant and equipment includes mainly represents the carrying value of the Group's sole operating mine, the K&S mine; and the trade and other receivables includes receivable from the sales of goods, balances due from customers under sales of iron ore concentrate.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The total liabilities of the Group were approximately US\$158.8 million as at 30 June 2023, representing an increase of approximately 9.0% as compared to that of approximately US\$145.7 million as at 31 December 2022. The increase in total liabilities was mainly due to the receipt in advance from the disposal of a vessel. The liabilities of the Group mainly consist of (i) trade and other payables; and (ii) borrowings. The Group's trade payables principally comprise accruals and other payables amounts raised from which mainly are payables to the mining contractors, other suppliers and construction cost payables.

As at 30 June 2023, the net assets attributable to owners of the Company decreased approximately 14.8% from approximately US\$448.6 million as at 31 December 2022 to approximately US\$382.0 million. The decrease in net assets attributable to owners of the Company of the Group was mainly resulted from the impairment provision made against the carrying value of K&S mine. Such impairment provision was made mainly due to the weaker Platts price of 65% iron ore concentrate as of 30 June 2023.

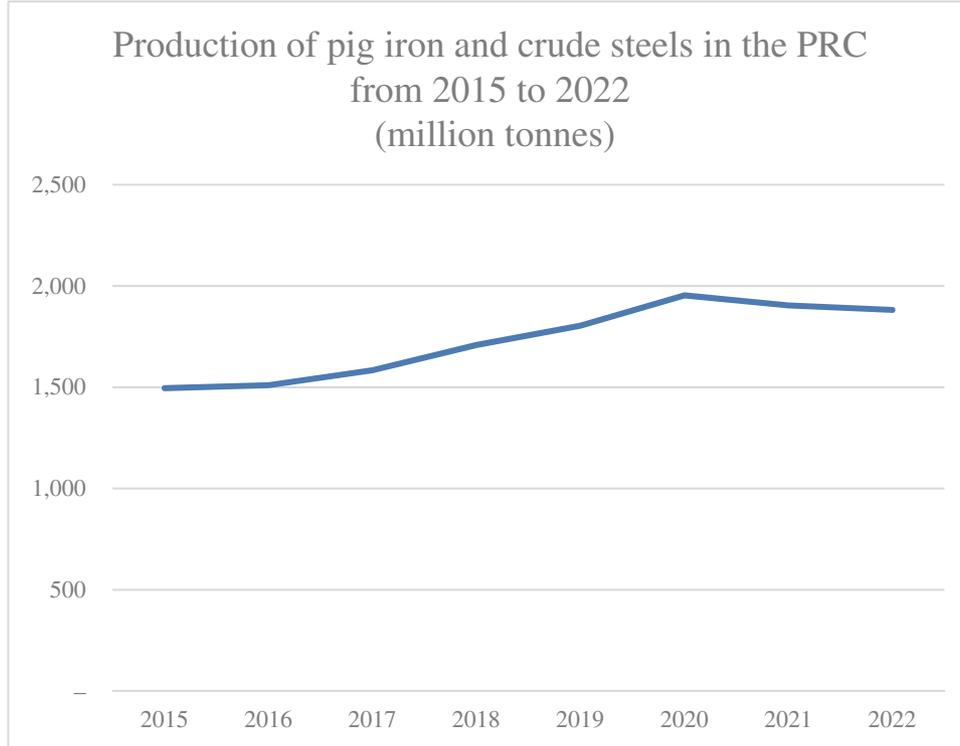
### *Historical dividend payout by the Company*

It is noted that the Company did not pay dividend for the past ten years ended FY2022 and for 6M2023. No dividend payout from the Company implied that there is no extra investment return from holding the Shares by the Shareholders.

## **2. Industry Overview, Future Plan and Prospects**

The Group is principally engaged in the mining business and the production and development of industrial commodities products including iron ore concentrate. As stated in the 2022 Annual Report, approximately 90% of the Group's revenue was derived from the PRC and the remaining approximately 10% of the Group's revenue was derived from Russia during FY2022. As advised by the Management, the major product of the Group is the high quality 65% iron ore concentrate produced from its own K&S mine located in the Jewish Autonomous Region (EAO) of the Russian Far East. The sales price of the Group's products is determined with reference to, and therefore directly affected by, the Platts 65% iron ore price.

*Demand on the Group's product*

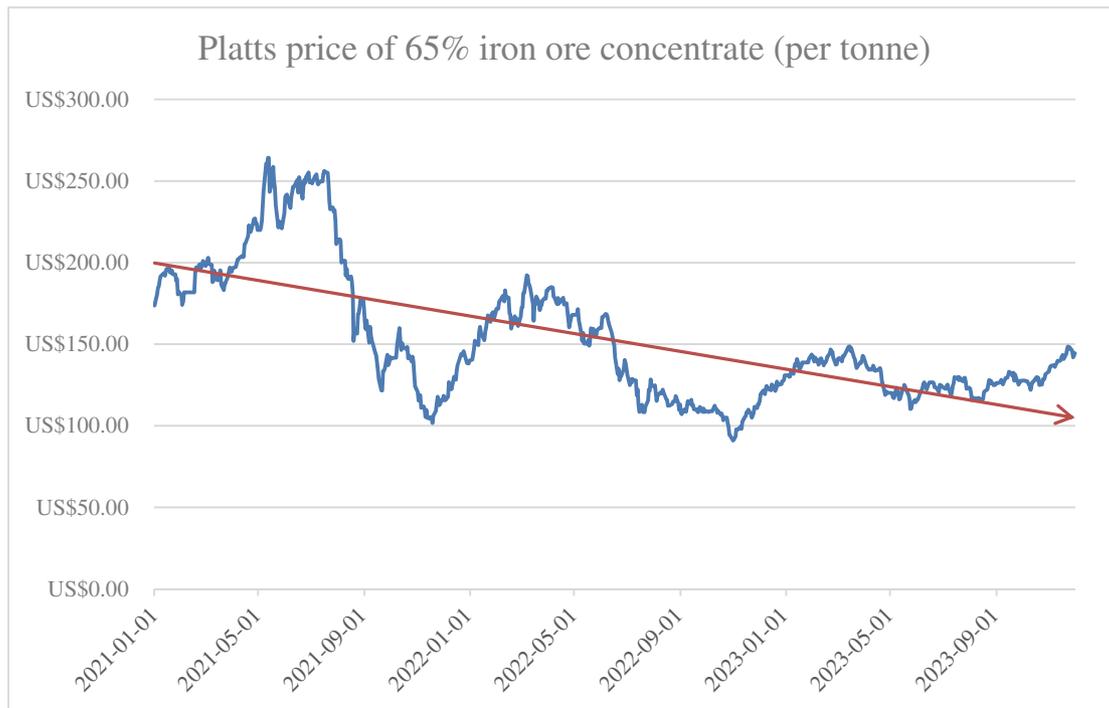


Source: National Bureau of Statistics of China

Iron ore concentrate is generally used to produce iron and steel. According to the National Bureau of Statistics of China, the aggregated production of pig iron and crude steels in the PRC for 2020 was approximately 1,953.7 million tonnes which represented a compound annual growth rate of approximately 5.5% when compared to that of approximately 1,495.2 million tonnes for 2015. However, as shown in chart above, the aggregated production amount of pig iron and crude steels in the PRC had shown a trend of slowing down since 2020 mainly due to the impact of the COVID-19 epidemic on the global and domestic economy which affected the demand on pig iron and crude steels products. The aggregated production of pig iron and crude steels in the PRC for 2021 was approximately 1,903.8 million tonnes, which represented a decrease of approximately 2.6% when compared to that of approximately 1,953.7 million tonnes for 2020. The aggregated production amount of pig iron and crude steels in the PRC for 2022 had recorded a further decrease of approximately 1.2% when compared to that of 2021. The slowing down of the production of pig iron and crude steels indicated uncertainty on the demand of iron ore concentrate in the PRC.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical performance on Platts price of 65% iron ore concentrate*



Source: Platts (as of 30 November 2023)

As shown in chart above, the Platts 65% iron ore price has reached a period high of approximately US\$264.2 per tonne in May 2021 but then plummeted to a low of approximately US\$91.0 per tonne in November 2021. The Platts 65% iron ore price then fluctuated between approximately US\$91.0 and approximately US\$192.3 per tonne for the period from 1 January 2022 up to 30 November 2023. The Platts 65% iron ore price had shown a downward trend since May 2021 as the steel mills in the PRC was required to reduce production capacity following China's policy measures as advised by the Management. The fall in iron ore price represented a significant decrease of approximately 45.3% from US\$264.2 per tonne in May 2021 to 144.6 as at 30 November 2023.

Having considered the above factors, we considered that in view of the downward trend of the demand on iron ore concentrates and the Platts 65% iron ore price, there is uncertainty in the demand of the Group's products and thus the Group's business and financial performance. As such, we believe the business and operation environments of the Group will remain challenging.

### **3. Information on the Offeror**

As disclosed in the "Letter from FFC", the Offeror is a company incorporated in United Arab Emirates with limited liability and is wholly, ultimately and beneficially owned by Mr. Levitskii, being a non-executive Director and the chairman of the Board. It is principally engaged in the investment and management of securities.

As at the Latest Practicable Date, the Offeror is the single largest Shareholder holding 2,607,712,360 Shares, representing approximately 30.61% of the total issued share capital of the Company. Mr. Levitskii, aged 51, has spent 30 years in the sectors of mining, oil and gas and banking in Russia.

**4. The Offeror's intention on the Group**

As disclosed in the "Letter from FFC", following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Offers and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group.

Nevertheless, following the close of the Offers, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the Listing Rules and the Takeovers Code.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group.

As at the Latest Practicable Date, the Offeror had no plan to change the composition of the Board or to terminate the employment of any other employees or other personnel of the Group following the close of the Offers. However, the Offeror reserve the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

**5. Public float and maintenance of the listing status of the Company**

As stated in the "Letter from FFC" in the Composite Document, the Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the “Letter from FFC” in the Composite Document, the Offeror intends to maintain the listing of the Shares following the close of the Offers. Each of the Company, the Directors, the Offeror, the sole manager of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

### 6. Compulsory acquisition

As stated in the “Letter from FFC” in the Composite Document, the Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not tendered for acceptance under the Offers.

### 7. Share Offer Price

The Share Offer Price of HK\$0.118 per Offer Share represents:

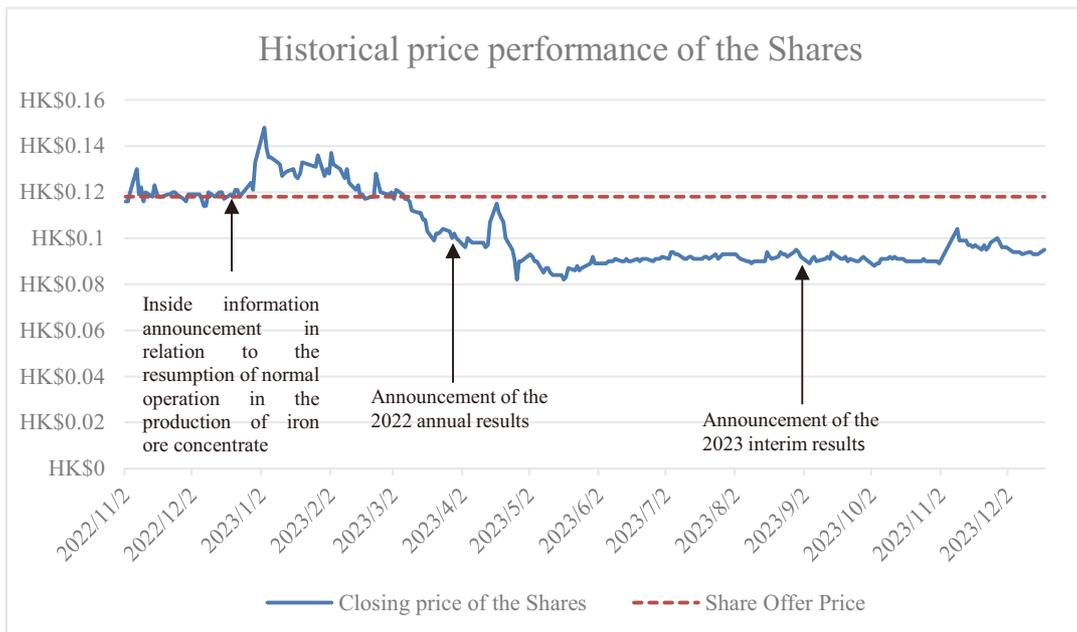
- (i) a premium of approximately 25.53% over the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 32.58% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 31.11% over the average closing price of approximately HK\$0.090 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 71.36% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.412 as at 31 December 2022, which was calculated based on the Group’s latest published audited consolidated net assets attributable to owners of the Company of approximately US\$448,608,000 (equivalent to approximately HK\$3,508,115,000) as extracted from the annual report of the Company for the year ended 31 December 2022 and 8,519,657,257 Shares, being the number of Shares in issue as at the Latest Practicable Date;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vii) a discount of approximately 66.38% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.351 as at 30 June 2023, which was calculated based on the Group’s latest published unaudited consolidated net assets attributable to owners of the Company of approximately US\$382,023,000 (equivalent to approximately HK\$2,987,420,000) as extracted from the interim report of the Company for the six months ended 30 June 2023 and 8,519,657,257 Shares, being the number of Shares in issue as at the Latest Practicable Date.

### *Historical price performance of the Shares*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 2 November 2022 and up to the Latest Practicable Date (the “**Review Period**”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares. We consider that the duration of the Review Period of approximately one year period prior to the Last Trading Day would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares.



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in chart above, the closing price of the Shares during the Review Period ranges from the lowest closing price of approximately HK\$0.082 per Share recorded on 26 April 2023 and 17 May 2023 to the highest closing price of approximately HK\$0.148 per Share recorded on 3 January 2023 respectively with an average closing price per Share of approximately HK\$0.103.

From the beginning of the Review Period and up to 30 December 2022, the closing price of the Shares fluctuated between HK\$0.133 and HK\$0.114 per Share. On 3 January 2023, the closing price of the Shares surged to HK\$0.148 per Share. Subsequently, the closing price of the Shares followed a general decreasing trend and reached HK\$0.089 per Share on the Last Trading Day. We have enquired the Directors regarding the possible reasons for such increase in the closing price of the Shares in the above period, and as confirmed by the Directors, the Directors were not aware of any happening which might have affected the closing price of the Shares.

After resumption of trading in the Shares on 9 November 2023, the closing price of the Shares increased to HK\$0.104 per Share. From 9 November 2023 to the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$0.093 and HK\$0.104.

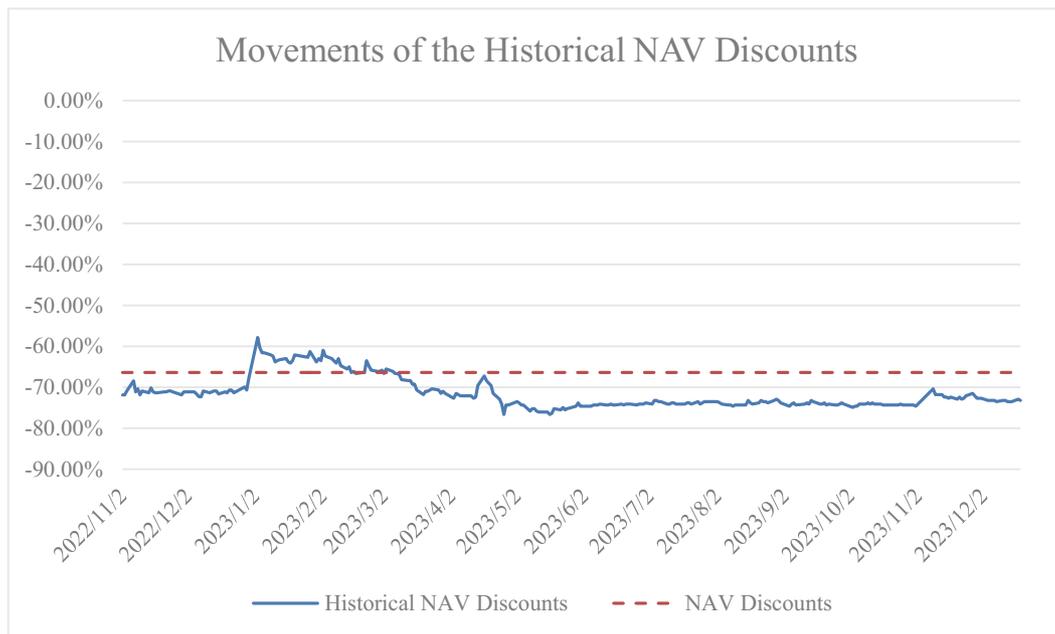
We have enquired into the Directors regarding the possible reasons for such increase in the closing price of the Shares after the Last Trading Date, and as confirmed by the Directors, save as the Offers, the Directors were not aware of any happening which might have affected the closing price of the Shares.

We noted that the Share Offer Price had been higher than the daily closing prices for 201 out of 273 trading days during the Review Period. The Share Offer Price of HK\$0.118 represents a premium of approximately 43.9% over the lowest closing price per Share, a discount of approximately 20.3% to the highest closing price per Share and a premium of approximately 14.6% over the average closing price per Share during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical discount to the net asset value per Share*

As abovementioned, the Share Offer Price represented a significant discount (the “NAV Discount”) of approximately 66.38% to the unaudited consolidated net asset value attributable to the owner of the Company per Share as at 30 June 2023 of approximately US\$0.0448 (equivalent to approximately HK\$0.351). Accordingly, we also reviewed the discounts (the “Historical NAV Discounts”) of the closing prices of Shares to the then latest published consolidated net asset value attributable to the owner of the Company per Share during the Review Period as set out in the chart below:



*Note:* The historical net asset value per Share during the Review Period were calculated by dividing (i) the Group’s net asset value attributable to the owner of the Company as stated in the then latest interim report or annual report published by the Company by (ii) the then number of Shares in issue as at that date, and converted based on the illustrative exchange rate of US\$1 to HK\$7.82. The Historical NAV Discounts were calculated by dividing the historical net asset value per Share by the closing price of the Share on that date.

As illustrated above, the closing prices of the Shares were at discounts to the Group’s then latest published consolidated net asset value attributable to the owner of the Company per Share during the entire Review Period. The Historical NAV Discounts ranged from approximately 57.83% to approximately 76.64% during the Review Period. Given that the NAV Discount of approximately 66.38% is within the range of Historical NAV Discounts during the Review Period, we considered the NAV Discount is acceptable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares during the period from 2 November 2022 and up to the Latest Practicable Date, the Review Period, are tabulated as below:

Month	Number of trading days in each month <i>Number of days</i>	Average Volume <i>in Shares</i>	Percentage of the Average Volume to total number of issued Shares as at the end of each respective month % <i>(Note)</i>
<b>2022</b>			
November	21	11,415,235	0.13%
December	20	8,022,100	0.09%
<b>2023</b>			
January	18	6,737,285	0.08%
February	20	9,144,648	0.11%
March	23	4,654,380	0.05%
April	17	6,951,651	0.08%
May	21	3,665,714	0.04%
June	21	2,422,889	0.03%
July	20	1,993,220	0.02%
August	23	3,109,397	0.04%
September	19	3,824,947	0.04%
October	20	3,769,557	0.04%
November	17	5,589,882	0.07%
December (up to and including the Latest Practicable Date)	13	4,143,128	0.05%

*Note:*

- The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for December 2023).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, during the Review Period, the Average Volume was ranging from 0.02% to 0.13% for the total number of issued Shares as at the end of each respective month (or at the Latest Practicable Date for December 2023). For the whole review period, the average of the Average Volume was around 0.06% of total number of issued Shares and we therefore consider the trading liquidity of the Shares is relatively low when compared to the total number of issued Shares.

On the first trading day (i.e. 9 November 2023) after the Last Trading Date, the daily trading volume of the Shares increased to approximately 32.9 million Shares from approximately 0.68 million Shares as recorded on Last Trading Day (i.e. 1 November 2023). We consider that this increase in the trading volume of the Shares should have been the initial market reaction to the Joint Announcement.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Offer Shareholders can receive by the disposal of their Shares in the open market. We consider that the Share Offer provide opportunities for the Offer Shareholders to realise all of their investments in the Company at a fixed price.

### *Comparison with other comparable companies*

In assessing the fairness and reasonableness of the Share Offer Price, it is a general practice to make reference to other comparable companies. We attempt to carry out a comparable analysis with the price-to-earnings ratio (“**PER**”) and price-to-book ratio (“**PBR**”) which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. However, since the Group had been recorded net loss for year ended 31 December 2022, therefore the Group is not appropriate for PER comparison purpose. Meanwhile, PBR is typically applied for valuing companies which hold substantial tangible assets.

According to the 2023 Interim Report, the tangible assets of the Group (including exploration and evaluation assets, the property, plant and equipment and inventories) accounted for approximately 80.1% of the Group's total asset value as at 30 June 2023. As advised by the Management, the property, plant and equipment was mainly consisted of mining assets. In view of (i) mining companies typically have significant tangible assets, particularly in the form of mineral reserves, equipment and infrastructure and inventories; and (ii) PBR analysis is useful for comparing companies have a significant portion of tangible assets, we considered that PBR analysis is the most suitable valuation method for our analysis.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in principal business similar to those of the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group, that is engaged in the mining business and sales of products produced from their own mine which contributed over 80% of its total revenue for the latest completed financial year; (iii) over 90% of its revenue streams are retrieved from the PRC that are similar to the Group; and (iv) the companies with market capitalisation of below HK\$2,000 million which is considered as of similar size as compared with the Company.

We noted that the Group's mining business mainly involves iron ore concentrate exploration and trading with revenues derived from the PRC. Based on our analysis, we only identified two companies (i.e. China Hanking Holdings Limited and Aowei Holding Limited) which are listed on the Main Board of the Stock Exchange and focus on iron ore concentrate exploration and trading with revenues derived from the PRC. Therefore, in order to maintain the samples size and ensure that we have a meaningful number of comparable companies, we had extended the selection criteria of comparables with companies that engaged in the mining business and sales of products produced from their own mine for comparison. We found 4 Hong Kong listed companies (the "**Market Comparables**") which meet the said criteria and they are exhaustive. Shareholders should note that the businesses, the market capitalisation, operations and prospects of the Group are not exactly the same as the Market Comparables.

Set out below are the PBRs of the Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Stock Code	Company Name	Principal business	Market Capitalisation <i>(Approximately HK\$'million)</i>	PBR
3788	China Hanking Holdings Limited	Principally engaged in the exploration, mining, processing and sale of mineral resources.	1,490 million	1.04
661	China Daye Non-Ferrous Metals Mining Ltd	Principally engaged in mining and processing of mineral ores and selling/trading of metal products.	1,056 million	0.31

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock Code	Company Name	Principal business	Market Capitalisation (Approximately HK\$'million)	PBR
1370	Aowei Holding Limited	Principally engaged in the exploration, mining, processing and trading of iron ore products.	998 million	0.63
3833	Xinjiang Xinxin Mining Industry Co., Ltd. – H Shares	Principally engaged in the mining, ore processing, smelting, refining of nickel, copper and vanadium, and process and sales of nickel, copper and other non-ferrous metal products.	703 million	0.27
			<b>The Share Offer</b>	0.34
			<b>Maximum</b>	1.04
			<b>Minimum</b>	0.27
			<b>Average</b>	0.56
			<b>Median</b>	0.47

*Source: the website of the Stock Exchange and the respective interim/annual report of the listed company*

*Notes:*

1. The PBR of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the equity attributable to the owners of the respective companies disclosed in the respective latest financial reports.
2. The implied PBR of the Company was calculated based upon the Share Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the unaudited consolidated net assets attributable to owners of the Company per Share of approximately US\$0.0448 (equivalent to approximately HK\$0.351) as at 30 June 2023.
3. In this comparable analysis, conversions of RMB and US\$ into HK\$ are calculated at the approximate exchange rates of RMB1 to HK\$1.09 and US\$1 to HK\$7.82 respectively. Such exchange rates are adopted for the purpose of illustration purpose only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.

As depicted from the above table, the PBR of the Market Comparables ranged from approximately 0.27 times to approximately 1.04 times, with a median and average of approximately 0.47 times and 0.56 times. Despite, the implied PBR of the Company (based on the Share Offer Price) of approximately 0.34 times is below the median and average of the PBR of the Market Comparables, the implied PBR of the Company (based on the Share Offer Price) is within the range of PBRs of the Market Comparables and higher than two out of four Market Comparables.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the Share Offer Price represents a discount of approximately 66.38% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately US\$0.0448 (equivalent to approximately HK\$0.351) as at 30 June 2023 and the implied PBR of the Company (based on the Share Offer Price) of approximately 0.34 times is below the median and average of the PBR of the Market Comparables, in view of (i) the Share Offer Price is at a price level higher than the daily closing prices of the Shares for 201 out of 273 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a premium of approximately 14.6% over the average closing price per Share during the Review Period; (ii) the Share Offer Price represented a premium of approximately 25.53% over the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (iii) the NAV Discount of approximately 66.38% is within the range of Historical NAV Discounts during the Review Period; and (iv) the implied PBR of the Company (based on the Share Offer Price) are within the range of the PBRs of the Market Comparables and higher than two out of four Market Comparables, we are of the view that the Share Offer Price is fair and reasonable so far as the Offer Shareholders are concerned.

### The Option Offer

With reference to the sub-paragraph headed “2(b) Share Options” in Appendix III to the Composite Document, as at the Latest Practicable Date, save for the 178,889,628 outstanding Share Options, the Company had no other outstanding Shares, Options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

Given that the exercise price of the outstanding Share Options (being HK\$0.296) is significantly higher than the Share Offer Price, the “see-through” price is negative and the outstanding Share Options are deeply out of the money. We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Option is fair and reasonable as far as the Optionholders are concerned.

## RECOMMENDATION

### The Share Offer

It is noted that (i) the Share Offer Price represents a significant discount of approximately 66.38% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately US\$0.0448 (equivalent to approximately HK\$0.351) as at 30 June 2023; and (ii) the implied PBR of the Company (based on the Share Offer Price) of approximately 0.34 times is below the median and average of the PBRs of the Market Comparables. However, having considered the principal factors and reasons as discussed above, in particular:

- (i) the fact that the Group recorded net losses for FY2022 and 6M2023. In addition, as stated in sub-section headed “2. Future Plan and Prospects” above, we considered that there is uncertainty in the demand of the Group’s products and thus the Group’s business and financial performance. As such, we believe the business and operation environments of the Group will remain challenging;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Company did not pay dividend for the past ten years ended FY2022 and for 6M2023. No dividend payout from the Company implied that there is no extra investment return from holding the Shares by the Shareholders;
- (iii) the Share Offer Price of HK\$0.118 is at a price level higher than the daily closing prices of the Shares for 201 out of 273 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a premium of approximately 14.6% over the average closing price per Share during the Review Period;
- (iv) given the low liquidity of the Shares, the Share Offer provide opportunities for the Offer Shareholders including those with significant shareholding interest to realise all of their investments in the Company at a fixed price;
- (v) the NAV Discount of approximately 66.38% is within the range of Historical NAV Discounts during the Review Period;
- (vi) the implied PBR of the Company (based on the Share Offer Price) are within the range of the PBRs of the Market Comparables and higher than two out of four Market Comparables,

we are of the opinion that the terms of the Share Offer and the Share Offer Price are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer. In view of the volatility of market conditions, those Offer Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

We would like to remind the Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Share Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offers in view of the historical low liquidity of the Shares.

### **The Option Offer**

Given that the exercise price of each outstanding Share Option (being HK\$0.296) is significantly higher than the Share Offer Price, the outstanding Share Options are deeply out of the money. We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Share Option is fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders and Optionholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Stephen Lau**  
*Director*

*Note:* Mr. Stephen Lau (“**Mr. Lau**”) is a licensed person registered with the SFC and a responsible officer of Amasse Capital to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital to carry out Type 1 (dealing in securities) regulated activities under the SFO. Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and he has over 10 years of experience in the finance industry.

*To accept the Offers, you should complete and sign the relevant accompanying Form(s) of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which forms part of the terms of the Offers.*

#### **I. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER**

- (a) To accept the Share Offer, you should complete and sign the accompanying WHITE Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the WHITE Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, marked "**IRC Limited — Share Offer**" on the envelope as soon as possible and in any event by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the WHITE Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the WHITE Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the WHITE Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the WHITE Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself and other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to the Offeror and/or FFC and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the WHITE Form of Share Offer Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the completed and signed WHITE Form of Share Offer Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of your Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g., a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Offer Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the WHITE Form of Share Offer Acceptance is executed by a person other than the registered Offer Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (h) Seller's ad valorem stamp duty (rounded up to the nearest HK\$1) payable by the Offer Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Offer Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Offer Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any WHITE Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares tendered for acceptance will be given.
- (j) If the Share Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar, lodged with WHITE Form of Share Offer Acceptance will be returned to the relevant Offer Shareholders who have accepted the Share Offer by ordinary post as soon as possible but in any event no later than seven (7) business days (as defined under the Takeovers Code) after the Share Offer has lapsed.

## II. COURSES OF ACTION AVAILABLE TO THE OPTIONHOLDERS

You may take any of the following courses of action with respect to your outstanding Share Options:

- (a) to the extent any of your outstanding Share Options are not exercised on or prior to the Closing Date, you may accept the Option Offer in accordance with its terms (as set out in this Composite Document and the PINK Form of Option Offer Acceptance) and receive the Option Offer Price (if the Offers become or are declared unconditional in all respects) by returning the duly completed and signed PINK Form of Option Offer Acceptance enclosed together with the relevant document(s) as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, to the company secretary of the Company at Unit H, 6th Floor, 9 Queen's Road Central, Hong Kong marked "**IRC Limited — Option Offer**" on the envelop;

- (b) you may in accordance with the terms of the Share Option Scheme exercise some or all of outstanding vested Share Options (to the extent not already exercised), by submitting a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the company secretary of the Company no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and the Shares issued as a result of the exercise of such Share Options will be subject to and eligible to participate in the Share Offer. Please refer to details in this Composite Document for the details of the Share Offer and the acceptance thereof; or
- (c) you may do nothing, and in which case, if the Offers become unconditional in all respects, unexercised Share Options will lapse automatically after the Closing Date and you will not receive the Option Offer Price.

### III. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OPTION OFFER

- (a) To accept the Option Offer, you should complete and sign the accompanying PINK Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options, you must send the duly completed and signed PINK Form of Option Offer Acceptance together with the relevant certificate(s), document(s) of title in respect of the Share Options, and/or other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) for your holding of Share Options (or if applicable, for not less than the number of Share Options in respect of which you intend to accept the Option Offer), by post or by hand, to the company secretary of the Company at Unit H, 6th Floor, 9 Queen's Road Central, Hong Kong marked "**IRC Limited — Option Offer**", as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code. However, no Option shall be capable of acceptance if at the time of acceptance such Option has lapsed.
- (c) If the relevant certificate(s), document(s) of title in respect of your Share Options, and/or other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer in respect of your Share Options, the PINK Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that

it/they is/are not readily available. If you subsequently find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your option certificate(s) and/or document(s) of title in respect of your Share Options (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.

- (d) If the relevant certificate(s), document(s) of title in respect of your Share Options, and/or other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Share Options to the extent exercisable as indicated in paragraph (b) of the section headed "II. Courses of action available to the Optionholders" in this appendix above, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Closing Date; and (ii) the relevant WHITE Form of Share Offer Acceptance must reach the Company on or before 4:00 p.m. on the Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (e) No stamp duty will be deducted from the amount paid or payable to the Optionholder who accepts the Option Offer.
- (f) No acknowledgment of receipt of any PINK Form of Option Offer Acceptance, certificate(s) of the Share Options (if applicable) and/or any other document(s) of title (and/or any satisfactory indemnity/indemnities required in respect thereof) in respect of the Share Options will be given.
- (g) If the Option Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, relevant certificate(s), document(s) of title in respect of the Share Options, and/or other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or satisfactory indemnity or indemnities required in respect thereof), lodged with PINK Form of Option Offer Acceptance, received by the company secretary of the Company will be returned to you by ordinary post as soon as possible but in any event no later than seven (7) business days (as defined under the Takeovers Code) after the Option Offer has lapsed.

## IV. SETTLEMENT OF THE OFFERS

## (a) The Share Offer

- (i) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid WHITE Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Offer Shareholders who accepts the Share Offer less seller 's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) business days after the later of (aa) the date of receipt by the Registrar of the duly completed acceptances of the Share Offer and all relevant document(s) of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (bb) the date on which the Share Offer becomes or is declared unconditional.
- (ii) Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller 's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.
- (iii) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

## (b) The Option Offer

- (i) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid PINK Form of Option Offer Acceptance and the relevant option certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the Option Offer, payment of the consideration for the Share Options surrendered for cancellation under the Option Offer will be made to the Company as the agent of the Offer Optionholders, by cheque(s) drawn in the name of the Company which will be delivered to the Company's principal place of business in Hong Kong at Unit H, 6th Floor, 9 Queen's Road Central, Hong Kong or, at the election of the Offeror, by wire transfer to the bank account of the

Company, and the Company will transfer any payment received to respective Offer Optionholders by issue of cheque or wire transfer, in each case, no later than seven (7) business days after the later of (aa) the date of receipt by the company secretary of the Company of the duly completed acceptances of the Option Offer and all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (bb) the date on which the Option Offer becomes or is declared unconditional in all respects.

- (ii) Settlement of the consideration to which any accepting Offer Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Optionholder.
- (iii) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

#### V. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been extended or revised with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Forms of Acceptance must be received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offers are extended, the Offeror and the Company will issue an announcement in relation to any extension of the Offers, which announcement will state either the next closing date or, a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers are closed to those Offer Shareholders and Offer Optionholders who have not accepted the relevant Offers.
- (c) If, in the course of the Offers, the Offeror revises the terms of the Offers, all the Offer Shareholders and Offer Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least fourteen (14) days following the date on which the revised offer document(s) are posted.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

## VI. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offers. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offers have been extended, have expired or have become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

- (i) the total number of Shares and Share Options for which acceptances of the Offers have been received;
- (ii) the total number of Shares and Share Options held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period;
- (iii) the total number of Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Offeror and/or parties acting in concert with it; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company in which the Offeror or any parties acting in concert with it has borrowed or lent, saved for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by the number of securities as referred to in (i) to (iv) above.

- (b) In computing the total number of Shares and Share Options for which acceptances of the Offers have been received, only valid acceptances that are complete and in good order which have been received by the Registrar (in respect of Share Offer) or the company secretary of the Company (in respect of Option Offer) no later than 4:00 p.m. on the Closing Date, and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

**VII. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Offer Shareholders and Offer Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) or (c) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph (a) of the section headed "VI. ANNOUNCEMENT" in this appendix above, the Executive may, pursuant to Rule 19.2 of the Takeovers Code, require that acceptors of the Offers who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) In compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw his/her/its acceptance of the Offers after twenty one (21) days from the Closing Date if the Offers have not by then become unconditional as to acceptance.

In such case, when the Offer Shareholders and/or Offer Optionholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) business days (as defined under the Takeovers Code) thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or the certificate(s) of the Share Options (if applicable) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Offer Shareholders and/or Offer Optionholders at his/her/its own risks.

**VIII. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The Offers will be made available to all the Offer Shareholders and Offer Optionholders, including the Overseas Shareholders and the Overseas Optionholders. The availability of the Offers to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders and Overseas Optionholders in respect of the acceptance of the Offers in such jurisdictions).

Any acceptance by any Overseas Shareholders or Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders or Overseas Optionholders to the Offeror that such Overseas Shareholders and Overseas Optionholders have observed and are permitted under all applicable laws and regulations to receive and accept the Offers and that such Overseas Shareholders and Overseas Optionholders have obtained all requisite governmental, exchange control or other consents and have made all requisite regulations and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such Overseas Shareholders and Overseas Optionholders in connection with such acceptance in such jurisdiction, and the such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

#### **IX. NOMINEE REGISTRATION**

To ensure equality of treatment of all Offer Shareholders and Offer Optionholders, those Offer Shareholders and Offer Optionholders who hold Shares and Share Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares and Share Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Offers.

#### **X. TAX IMPLICATIONS**

Offer Shareholders and Offer Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance or rejection of the Offers that may be applicable in relevant jurisdictions. It is emphasized that none of the Offeror or parties acting in concert with it, the Company, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offers.

#### **XI. GENERAL**

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts (as the case may be), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Offer Shareholders and the Offer Optionholders or their designated agents will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, FFC, Red Sun Capital, Amasse Capital and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, FFC, the Registrar or such person or persons as the Offeror may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares or the Share Options in respect of which such person or persons has/have accepted the Offers.
- (f) Due execution of the Form(s) of Acceptance will constitute the appointment of the Offeror and/or FFC as the attorney of the person or persons accepting the Offers in respect of all the Share(s) or Share Option(s) to which the Form(s) of Acceptance relate(s).
- (g) Due execution of the Form(s) of Acceptance will constitute an agreement of the Offer Shareholders and Offer Optionholders to ratify each and every act or thing which may be done or effected by the Offeror and/or FFC and/or the Company or their respective agent(s) or such person or persons as any of them may direct on the exercise of any of the rights contained therein.
- (h) Acceptance of the Offers by any Offer Shareholders or Offer Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror, FFC and the Company that their Shares or Share Options under the Offers (as the case maybe) are sold to the Offeror free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including, in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. As at the Latest Practicable Date, there is no unpaid dividend and the Company has no intention to make, declare or pay any future dividend/distribution until the close of the Offers.

- (i) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Offers.
- (j) Any Offer Shareholder or Offer Optionholder accepting the Share Offer and/or the Option Offer, respectively, will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (k) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension thereof.
- (l) All acceptance, instructions, authorities and undertakings given by the Offer Shareholders and Offer Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (m) In making their decision, the Offer Shareholders and Offer Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with each of them, FFC, Red Sun Capital, Amasse Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Offers. The Offer Shareholders and Offer Optionholders should consult their own professional advisers for professional advice.
- (n) The English text of this Composite Document and the Forms of Acceptance shall prevail over the respective Chinese text for the purpose of interpretation.

## 1. FINANCIAL INFORMATION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the relevant published financial statements which are of major relevance to the appreciation of the financial information, of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (collectively, the “**Financial Statements**”) are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ircgrou.com.hk](http://www.ircgrou.com.hk)):

- Annual report for the year ended 31 December 2020 (pages 110 to 201):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901668.pdf>
- Annual report for the year ended 31 December 2021 (pages 111 to 205):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802169.pdf>
- Annual report for the year ended 31 December 2022 (pages 120 to 205):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042703473.pdf>
- Interim report for the six months ended 30 June 2023 (pages 25 to 46)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0925/2023092500850.pdf>

The Financial Statements (but not any other part of the aforementioned documents in which they appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

## 2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022 (as extracted from the annual reports of the Company) and the six months ended 30 June 2023 (as extracted from the interim report of the Company):

**Summary of the Consolidated statement of Profit or Loss and Other Comprehensive Income for the three years ended 31 December 2022 and the six months ended 30 June 2023**

	For the six months ended 30 June 2023	For the year ended 31 December		
	2023 US\$'000 (unaudited)	2022 US\$'000 (audited)	2021 US\$'000 (audited)	2020 US\$'000 (audited)
Revenue	139,179	278,757	371,279	224,591
Operating expenses, excluding depreciation	(112,900)	(227,700)	(202,786)	(149,027)
Depreciation and amortisation	(9,808)	(23,674)	(27,021)	(28,818)
Impairment losses	(73,575)	(103,169)	–	–
Reversal of impairment losses	–	–	–	75,832
Other income, gains and losses	1,119	(3,893)	10,874	5,149
Allowance for financial assets measured at amortised costs	–	(331)	(5)	(458)
Financial costs	(4,406)	(8,530)	(18,238)	(25,157)
(Loss)/profit before tax	(60,391)	(88,540)	134,103	102,112
Income tax (expense)/credit	(5,358)	700	(52)	(1,602)
(Loss)/profit for the period/year	<u>(65,749)</u>	<u>(87,840)</u>	<u>134,051</u>	<u>100,510</u>

	For the six months ended 30 June 2023		For the year ended 31 December	
	US\$'000 (unaudited)	US\$'000 (audited)	2021 US\$'000 (audited)	2020 US\$'000 (audited)
(Loss)/profit for the period/year attributable to:				
– Owners of the Company	(65,698)	(87,896)	134,069	100,551
– Non-controlling interests	(51)	56	(18)	(41)
	<u>(65,749)</u>	<u>(87,840)</u>	<u>134,051</u>	<u>100,510</u>
Total comprehensive (expense)/income attributable to:				
– Owners of the Company	(66,585)	(87,202)	133,892	103,668
– Non-controlling interests	(251)	109	(25)	(257)
	<u>(66,836)</u>	<u>(87,093)</u>	<u>133,867</u>	<u>103,411</u>
(Loss)/earnings per share (US cents)				
Basic	<u>(0.77)</u>	<u>(1.19)</u>	<u>1.89</u>	<u>1.42</u>
Diluted	<u>(0.77)</u>	<u>(1.19)</u>	<u>1.89</u>	<u>1.42</u>

Save as disclosed, there were no material items of income or expense in any of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023.

Save for the Offers, there have been no other significant events of the Company after 31 December 2022.

There was no payment of dividends for each of the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023. Hence dividends per Share for each of the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 was inapplicable.

The auditor of the Company for the two years ended 31 December 2020 and 2021 was Deloitte Touche Tohmatsu. RSM Hong Kong was the auditor of the Company for the year ended 31 December 2022. The audit opinion of Deloitte Touche Tohmatsu and RSM Hong Kong in respect of each of the year ended 31 December 2020, 2021 and 2022 were not qualified and there were no modified opinions or emphasis of matter or material uncertainty related to going concern contained in auditor's report of Deloitte Touche Tohmatsu and RSM Hong Kong in respect of each of the three years ended 31 December 2022.

### 3. INDEBTEDNESS

#### **Statement of Indebtedness**

At the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

#### *Bank and other borrowings*

As at 31 October 2023, the Group had an aggregate outstanding borrowings of approximately US\$70 million, other borrowings of approximately US\$70 million were secured by (i) a charge over the property, plant and equipment of the Group with net book value of approximately US\$48.4 million; (ii) 100% equity share of Kapucius Services Limited in LLC KS GOK, a wholly owned subsidiary of the Group and (iii) pledge of the rights of certain bank accounts of the Group.

#### *Mortgages and charges*

As at 31 October 2023, certain property, plant and equipment of the Group; 100% equity share of Kapucius Services Limited; and the rights of certain bank accounts of the Group were pledged as security for the Group's borrowings which amounted to approximately US\$70 million.

#### *Lease liabilities*

As at 31 October 2023, the Group had lease liabilities of approximately US\$80,000 for the properties leased for its own use, which were unsecured and unguaranteed.

#### *Contingent liabilities*

As at 31 October 2023, the Group had no material contingent liabilities.

Save as aforesaid, as at the close of business on 31 October 2023, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or similar

indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

#### 4. NO MATERIAL CHANGE

Save as disclosed in (i) the interim report of the Company for the six months ended 30 June 2023 (“6M2023”); and (ii) the announcement (the “Update Announcement”) of the Company dated 19 October 2023 in relation to the third quarter trading update of the Group for 2023 including that,

- (i) Revenue of the Group for 6M2023 was approximately US\$139.2 million, representing a decrease of approximately 16.0% from that of approximately US\$165.7 million for the six months ended 30 June 2022 (“6M2022”). Such decrease was mainly due to the decrease of iron ore price as the average Platts 65% iron ore price was approximately US\$132 per tonne for 6M2023, which was approximately US\$33 per tonne or 20.0% lower than that of approximately US\$165 per tonne for 6M2022;
- (ii) net impairment losses of the Group for 6M2023 was approximately US\$73.6 million, representing a decrease of approximately 34.9% from that of approximately US\$113.0 million for the 6M2022. Such decrease was mainly due to the change in the recoverable amount of the K&S Project as at 30 June 2023 which recognised an impairment loss of US\$74.3 million for 6M2023;
- (iii) loss attributable to owners of the Company for 6M2023 was approximately US\$65.7 million, representing a decrease of approximately 15.7% from that of approximately US\$77.9 million for 6M2022. Such decrease was mainly due to the reduction in impairment losses partially offset by the decrease in revenue as discussed above;
- (iv) property, plant and equipment of the Group as at 30 June 2023 was approximately US\$362.6 million, representing a decrease of approximately 16.9% from that of approximately US\$436.1 million as at 31 December 2022, which was mainly resulted by change in the recoverable amount of the K&S mine resulting in impairment provision being made as at 30 June 2023 as discussed in (ii) above; and
- (v) reference is made to the Update Announcement, the average Platts 65% iron ore price was approximately US\$130 per tonne for the nine-month period ended 30 September 2023, which was approximately 12.2% lower than that of approximately US\$148 for the nine-month period ended 30 September 2022.

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole shareholder and sole manager of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

### (a) Share capital

The Company has no authorised share capital and its Shares have no par value. As at the Latest Practicable Date, the issued share capital of the Company were approximately US\$1,304,467,000. The number of issued shares of the Company as at the Latest Practicable Date were as follows:

<i>Issued and fully paid:</i>	8,519,657,257 Shares
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All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

No new Shares had been issued since 31 December 2022, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

### (b) Share Options

As at the Latest Practicable Date, the Company had 178,889,628 outstanding Share Options granted by the Company on 20 November 2015 pursuant to the Share Option Scheme. The exercise price of such Shares Options were HK\$0.296 per Share. All outstanding Share Options were vested as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, the Company had no other outstanding Shares, Options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

(c) **Listing**

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor in any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

**3. MARKET PRICES**

The table below shows the closing prices of Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 May 2023	0.089
30 June 2023	0.092
31 July 2023	0.093
31 August 2023	0.092
29 September 2023	0.091
31 October 2023	0.090
1 November 2023 (being the Last Trading Day)	0.089
30 November 2023	0.096
19 December 2023 (being the Latest Practicable Date)	0.094

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.104 per Share on 9 November 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.082 per Share on 17 May 2023.

## 4. DISCLOSURE OF INTERESTS

## (a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or which were required to be disclosed under the Takeovers Code were as follows:

Name of Director	Nature of interest (Note 1)	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company (Note 2)
Mr. Levitskii	Interest of controlled corporations	2,607,712,360 (Note 3)	30.61%

Notes:

- (1) All interests in Shares were long positions.
- (2) Based on 8,519,657,257 Shares issued as at the Latest Practicable Date.
- (3) The Offeror is wholly, ultimately and beneficially owned by Mr. Levitskii, being a non-executive Director and the chairman of the Board. As such, Mr. Levitskii is deemed or taken to be interested in the 2,607,712,360 Shares held by the Offeror by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code.

**(b) Interests of substantial shareholders in the securities of the Company**

As at the Latest Practicable Date, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interest (Note 1)	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company (Note 2)
The Offeror	Beneficial Owner	2,607,712,360	30.61%
MIC	Beneficial Owner	1,419,942,876 (Note 3)	16.67%
Ms. Kolesnikova	Interest of controlled corporation	1,419,942,876 (Note 3)	16.67%

*Notes:*

- (1) All interests in Shares were long positions.
- (2) Based on 8,519,657,257 Shares issued as at the Latest Practicable Date.
- (3) MIC is a company incorporated under the laws of the Russian Federation with limited liability and is wholly and beneficially owned by Ms. Kolesnikova. As such, Ms. Kolesnikova is deemed or taken to be interested in the 1,419,942,876 Shares held by MIC by virtue of the SFO. Each of MIC and Ms. Kolesnikova is a third party independent of and not connected with the Offeror and Mr. Levitskii.

Save as disclosed above, as at Latest Practicable Date, the Company had not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(c) **Interests discloseable under Schedule II to the Takeovers Code**

As at the Latest Practicable Date:

- (i) the Company did not hold any relevant securities in the Offeror and save for Mr. Levitskii, a non-executive Director who was at the same time the sole manager and the ultimate beneficial owner of the Offeror, no Director was interested in any relevant securities in the Offeror, and the Company and Directors had not dealt for value in any relevant securities in the Offeror during the Relevant Period;
- (ii) save as disclosed in the paragraph headed “4. Disclosure of Interests — (a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company” in this Appendix III, no Director was interested in any relevant securities in the Company;
- (iii) save for Mr. Levitskii, a non-executive Director who is at the same time the sole manager and the ultimate beneficial owner of the Offeror, who had, through the Offeror acquired (a) 85,900,000 Shares on 28 July 2023 from Ineth Limited, being a third party independent of and not connected with the Offeror, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; (b) 2,120,000,000 Shares on 28 July 2023 from AXIOMI CONSOLIDATION LTD, being a wholly-controlled company of Mr. Levitskii, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; and (c) 401,812,360 Sale Shares under the Acquisition at a price of HK\$0.118 per Sale Share, none of the Directors had dealt for value in any relevant securities in the Company during the Relevant Period;
- (iv) no (i) subsidiary of the Company, (ii) pension fund of the Company or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned, controlled or dealt with any relevant securities in the Company;

- (v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (vi) no relevant securities in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers;
- (viii) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or by the Offeror or parties acting in concert with it;
- (ix) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder and the Company, its subsidiaries or associated companies;
- (x) no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (xi) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (xii) save for the Sale and Purchase Agreement, there is no material contract entered into by the Offeror or parties acting in concert with it in which any Director had a material personal interest.

## 5. DIRECTORS' SERVICE CONTRACTS

Particulars of the relevant Directors' service contracts are set out as follows:

Name of Director	Position	Counterparty	Date of contract	Term	Remuneration (Note 1)	Notice Period
Mr. Denis Vitalievich Cherednichenko	Executive Director and Chief Executive Officer	the Company	1 July 2022	No fix term commencing from 1 July 2022	US\$843,247	12 months
Mr. Levitskii	Non-executive Director	the Company	25 March 2022	Three years commencing from 25 March 2022	US\$210,000 (Note 2)	12 months
Mr. Dmitry Vsevolodovich Dobryak	Independent non-executive Director	the Company	25 March 2022	Three years commencing from 25 March 2022	US\$114,000 (Note 3)	12 months
Ms. Natalia Klimentievna Ozhegina	Independent non-executive Director	the Company	25 May 2022	Three years commencing from 25 May 2022	US\$114,000	12 months
Mr. Alexey Mihailovich Romanenko	Independent non-executive Director	the Company	25 May 2022	Three years commencing from 25 May 2022	US\$114,000	12 months
Mr. Vitaly Georgievich Sheremet	Independent non-executive Director	the Company	25 May 2022	Three years commencing from 25 May 2022	US\$114,000	12 months

Notes:

- (1) No variable remuneration are payable under the relevant Directors' service contracts.
- (2) Mr. Levitskii did not receive any remuneration for the period from 25 March 2022 to 24 May 2022. With effect from 25 May 2022, he receives a remuneration of US\$210,000 per annum.
- (3) Mr. Dmitry Vsevolodovich Dobryak did not receive any remuneration for the period from 25 March 2022 to 24 May 2022. With effect from 25 May 2022, he receives a remuneration of US\$114,000 per annum.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months

to run irrespective of the notice period; or (d) are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within two years before 8 November 2023, being the date of the Joint Announcement and up to and including the Latest Practicable Date and are or may be material:

- (i) the subscription agreement dated 14 September 2022 and entered into between the Company, as issuer, and MIC, as subscriber, in relation to the subscription of 1,419,942,876 Shares at an aggregate consideration of HK\$151,096,121, representing a subscription price of HK\$0.1064 per Share;
- (ii) the memorandum of agreement dated 4 January 2023 and entered into between Kirgan Holding S.A., as vendor, and Ariti HK Limited (a wholly-owned subsidiary of the Company) (“**Ariti HK**”), as purchaser, in relation to the sale and purchase of a vessel named “**ATLAS DOUBLE**” (the “**Vessel**”) at a consideration of US\$20,500,000;
- (iii) the memorandum of understanding (“**MOU**”) dated 4 January 2023 and entered into between Ariti HK, as the Vessel owner, and JSC Masco (“**JSC Masco**”), a company organised and existing under the laws of Russian Federation, as the charterer, in relation the chartering arrangement of the Vessel at a monthly charter hire of US\$1,835,000 and an aggregate charter value of US\$22,020,000 for the charter period of 12 months;
- (iv) the termination agreement dated 3 March 2023 and entered into between Ariti HK and JSC Masco for the termination of the MOU; and
- (v) the memorandum of agreement executed on 3 March 2023 between Ariti HK, as vendor, and Limited Liability Company TK Wagon Trade, a company organised and existing under the laws of the Russian Federation, as purchaser, in relation to the sale and purchase of the Vessel at a consideration of US\$23,195,000.

**8. EXPERT QUALIFICATIONS AND CONSENTS**

The following is the name and qualification of the expert who has given opinion or advice which is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Amasse Capital	a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Amasse Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its recommendations, opinions, letter and/or references to its name in the form and context in which they respectively appear.

**9. MISCELLANEOUS**

- (i) The registered office and principal place of business of the Company in Hong Kong is 6H, 9 Queen's Road Central, Central, Hong Kong.
- (ii) The Hong Kong share registrar and transfer office of the Company is Union Registrars Limited, which is situated at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (iii) The registered office of Amasse Capital is at Room 1201, 12th Floor, Prosperous Buildings, 48-52 Des Voeux Road Central, Hong Kong.
- (iv) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese text.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (a) on the website of the Company at [www.irgroup.com.hk](http://www.irgroup.com.hk); and (b) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Composite Document onwards for so long as the Offers remain open for acceptance:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 December 2020, 2021 and 2022;
- (iii) the interim report of the Company for the six months ended 30 June 2023;
- (iv) the “Letter from the Board”, the text of which is set out from pages 19 to 23 of this Composite Document;
- (v) the “Letter from the Independent Board Committee”, the text of which is set out from pages 24 to 25 of this Composite Document;
- (vi) the “Letter from the Independent Financial Adviser”, the text of which is set out from pages 26 to 47 of this Composite Document;
- (vii) the service contracts referred to in the section headed “5. DIRECTORS’ SERVICE CONTRACTS” in this appendix;
- (viii) the material contracts referred to in the section headed “7. MATERIAL CONTRACTS” in this appendix;
- (ix) the written consent from the expert referred to in the section headed “8. EXPERT QUALIFICATIONS AND CONSENTS” in this appendix; and
- (x) this Composite Document and the accompanying Form(s) of Acceptance.

**I. RESPONSIBILITY STATEMENT**

As at the Latest Practicable Date, the Offeror has no directors and appointed Mr. Levitskii as the sole manager, who is an officer equivalent to a director under the laws of United Arab Emirates.

The sole shareholder and sole manager of the Offeror (being Mr. Levitskii) accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## II. DISCLOSURE OF INTERESTS IN SHARES

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and its ultimate beneficial owner, parties acting in concert with any of them and the sole shareholder and sole manager (being Mr. Levitskii) of the Offeror were as follows:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest in the Company's share capital</b>
The Offeror	Beneficial owner	2,607,712,360	30.61%
Mr. Levitskii ( <i>Note</i> )	Interest of controlled corporation	2,607,712,360	30.61%

*Note:* The Offeror is wholly, ultimately and beneficially owned by Mr. Levitskii, who is deemed to be interested in 2,607,712,360 Shares held by the Offeror under the SFO. Mr. Levitskii is the sole manager of the Offeror.

Save as disclosed above, (i) as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owner and its sole manager (being Mr. Levitskii) owned, controlled or had any other interest in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and (ii) save for (a) the acquisition of 85,900,000 Shares on 28 July 2023 by the Offeror from Ineth Limited, being a third party independent of and not connected with the Offeror, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; (b) the acquisition of 2,120,000,000 Shares on 28 July 2023 by the Offeror from AXIOMI CONSOLIDATION LTD, being a wholly-controlled company of Mr. Levitskii, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; and (c) the Acquisition, none of the Offeror, the sole manager and the ultimate beneficial owner of the Offeror nor the parties acting in concert with any of them had dealt for value in nor owned any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

**III. DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS**

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for (i) the acquisition of 85,900,000 Shares on 28 July 2023 by the Offeror from Ineth Limited, being a third party independent of and not connected with the Offeror, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; (ii) the acquisition of 2,120,000,000 Shares on 28 July 2023 by the Offeror from AXIOMI CONSOLIDATION LTD, being a wholly-controlled company of Mr. Levitskii, at a consideration of HK\$0.095 per Share which was completed on 23 August 2023; and (iii) the Acquisition, neither the Offeror and the sole manager of the Offeror nor any person acting in concert with any of them has dealt for value in any Shares, warrants, options or derivatives of the Company or other securities convertible into Shares during the period commencing six months prior to the commencement of the Offer Period and up to and including the Latest Practicable Date;
- (ii) save for the 2,607,712,360 Shares held by the Offeror, neither the Offeror and the sole manager of the Offeror nor any person acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (iv) neither the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept the Offers;
- (v) there is no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (vi) neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vii) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any person acting in concert with it;

- (viii) save for the consideration of HK\$47,413,858.48 paid by the Offeror to the Vendor under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror and parties acting in concert with it to the Vendor and parties acting in concert with it in connection with the Acquisition;
- (ix) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and/or any parties acting concert with it on the other hand, and the Vendor and any parties acting in concert with it on the other hand;
- (x) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2) the Offeror and any party acting in concert with it;
- (xi) no benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Offers; and
- (xii) there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offers.

#### IV. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
First Fidelity Capital (International) Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the agent making the Offers for and on behalf of the Offeror
Red Sun Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of letter, advice and/or references to its name, in the form and context in which they respectively appear.

#### V. MISCELLANEOUS

- (a) The principal members of the Offeror's concert group are the Offeror and Mr. Levitskii, being the sole shareholder and sole manager of the Offeror. The correspondence address of Mr. Levitskii is 36/F., Times Tower, 393 Jaffe Road, Wan Chai, Hong Kong.
- (b) The registered office of the Offeror is situated at BLA-BR3-382, Ajman Media City, Ajman, United Arab Emirates.
- (c) The correspondence address of the Offeror is 36/F., Times Tower, 393 Jaffe Road, Wan Chai, Hong Kong, Hong Kong.
- (d) The main business address of FFC is situated at 36/F., Times Tower, 393 Jaffe Road, Wan Chai, Hong Kong.
- (e) The main business address of Red Sun Capital is situated at Room 310, 3/F. China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.
- (f) The Offeror is a company incorporated in United Arab Emirates with limited liability on 14 April 2022.
- (g) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

#### VI. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of (i) the Company ([www.ircgroupp.com.hk](http://www.ircgroupp.com.hk)); and (ii) the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this Composite Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier):

- (a) the memorandum of incorporation of the Offeror;
- (b) the letter from FFC, the text of which is set out on pages 7 to 18 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed "IV. Qualifications and Consents of Experts" in this appendix.