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

## **PROPOSED CAPITAL REDUCTION**

The Board intends to put forward for approval by the Shareholders a proposal to reduce the credit standing to the share capital account of the Company by an amount of US\$1,100,000,000. The credit arising from the Proposed Capital Reduction will be applied to a capital reduction reserve account of the Company and the Company will use such reserve to eliminate Accumulated Losses.

The proposal to set off Accumulated Losses with the reserve arising from the Proposed Capital Reduction would put the Company in a position to pay dividends and/or undertake any corporate exercise which requires the use of distributable reserves, subject to, inter alia, obtaining shareholders' approval, if required.

The Company intends to proceed with the Proposed Capital Reduction in the first half of 2022.

### **PROPOSED CAPITAL REDUCTION**

The Company proposes to implement the Proposed Capital Reduction by reducing the credit standing to the share capital account of the Company by an amount of US\$1,100,000,000 from approximately US\$1,285,384,000 as at the date of this announcement to approximately US\$185,384,000. The credit in the amount of US\$1,100,000,000 arising from the Proposed Capital Reduction will be applied to a capital reduction reserve account of the Company and the Company will use such reserve to eliminate Accumulated Losses.

### **EFFECTS OF THE PROPOSED CAPITAL REDUCTION**

As at the date of this announcement, the Company has an issued and paid-up share capital of approximately US\$1,285,384,000. According to the unaudited management accounts of the Company for the six months ended 30 June 2021, the Company had total Accumulated Losses of approximately US\$831,915,000.

Other than the relevant expenses to be incurred by the Company in relation to the Proposed Capital Reduction, which are not expected to be significant, the implementation of the Proposed Capital Reduction would have no effect on the consolidated net asset value of the Company, nor would it alter the underlying assets, liabilities, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Board considers that the Proposed Capital Reduction alone would not have any material adverse effect on the financial position of the Group.

Set out below, for illustrative purpose only, is a simplified statement showing the proposed movement in the equity of the Company before and after the Proposed Capital Reduction taking effect, based on the Company's position as at 30 June 2021.

	<b>Immediately before the Proposed Capital Reduction as at 30 June 2021 US\$'000</b>	<b>Immediately after the Proposed Capital Reduction taking effect and the application of credit arising from the Proposed Capital Reduction to a capital reduction reserve account (but before setting off against the Accumulated Losses) US\$'000</b>	<b>Immediately after setting off against the Accumulated Losses as at 30 June 2021 US\$'000</b>
Share capital	1,285,231	185,231	185,231
Capital reduction reserve	–	1,100,000	268,085
Capital reserve	592	592	592
Share-based payment reserve	6,548	6,548	6,548
Other reserve	13,759	13,759	13,759
Accumulated losses	(831,915)	(831,915)	–
	<hr/>	<hr/>	<hr/>
Total equity of the Company	<u>474,215</u>	<u>474,215</u>	<u>474,215</u>

*Note:* This table does not take into account expenses that will be incurred by the Company in relation to the Proposed Capital Reduction.

Pursuant to the terms of the Share Option Scheme, the implementation of the Proposed Capital Reduction will not result in any adjustment to: (i) the number of Shares subject to options under the Share Option Scheme; (ii) the subscription price for each Share subject to an option; and/or (iii) relevant caps on the maximum number of Shares available for subscription under the Share Option Scheme. This is because the Proposed Capital Reduction will not affect the proportion of equity capital of the Company to which any existing option grantee was entitled immediately before the Proposed Capital Reduction.

## **CONDITIONS OF THE PROPOSED CAPITAL REDUCTION**

The Proposed Capital Reduction would be subject to the satisfaction of the following conditions:

- (i) the passing by the Shareholders of a special resolution to approve the Proposed Capital Reduction and related matters at a general meeting of the Company;
- (ii) all the Directors making a solvency statement in relation to the Proposed Capital Reduction in accordance with the Companies Ordinance;
- (iii) the publication of a notice of capital reduction in the Gazette and newspapers in accordance with the Companies Ordinance;
- (iv) the delivery to the Registrar for registration a copy of the solvency statement in relation to the Proposed Capital Reduction in accordance with the Companies Ordinance;
- (v) either (a) there being no application to the Court for cancellation of the special resolution by creditors or members of the Company within five weeks of the date of the special resolution to approve the Proposed Capital Reduction; or (b) if there is any such application, the Court making an order to confirm the special resolution; and
- (vi) the delivery to the Registrar for registration and/or the registration by the Registrar (as applicable) of the relevant documents within the prescribed timeframe in accordance with the Companies Ordinance.

As the Board has not yet implemented the Proposed Capital Reduction, as at the date of this announcement, none of the above conditions have been fulfilled.

Assuming that all of the above conditions are fulfilled, it is expected that the Proposed Capital Reduction would become effective upon the registration by the Registrar of the Return of Reduction of Share Capital (by Special Resolution Supported by Solvency Statement) required under the Companies Ordinance. If the Company proceeds with the Proposed Capital Reduction and the conditions are fulfilled, a further announcement will be made informing the Shareholders of the effective date of the Proposed Capital Reduction.

## **REASONS FOR THE PROPOSED CAPITAL REDUCTION**

The Company had total Accumulated Losses of approximately US\$831,915,000 as at 30 June 2021 and such Accumulated Losses were mainly attributable to non-cash provisions for the Company's investment in subsidiaries, mainly attributable to the provisions for asset impairment losses for the K&S mine in the previous years.

The Group is now profitable but the Company will remain unable to pay dividends or undertake any corporate exercise which requires the use of distributable reserves while such Accumulated Losses exist. Accordingly, the Board intends to proceed with the Proposed Capital Reduction with the resulting credit arising from such reduction to be applied to a capital reduction reserve account of the Company and such reserve to be used to set off against Accumulated Losses.

The proposal to set off Accumulated Losses with the reserve arising out of the Proposed Capital Reduction would put the Company in a position to pay dividends and/or undertake any corporate exercise which requires the use of distributable reserves, subject to, inter alia, obtaining shareholders' approval, if required. After the Proposed Capital Reduction has become effective, the Company would have greater flexibility in undertaking corporate exercises and/or making decisions on its dividend policy, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

Based on the reasons and the effects of the Proposed Capital Reduction as set out above, the Board considers that the Proposed Capital Reduction is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## GENERAL

The Company intends to proceed with the Proposed Capital Reduction in the first half of 2022. A circular setting out details of the Proposed Capital Reduction together with a notice convening a general meeting to approve the Proposed Capital Reduction will be despatched in due course.

**The Proposed Capital Reduction, if implemented, would be subject to the satisfaction of conditions, and therefore it may or may not become effective. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.**

**Commenting on the Proposed Capital Reduction, Peter Hambro, Chairman of IRC said,** *“The successful ramping up and operation of K&S and the strong iron ore price environment in 2021 have significantly strengthened the Group’s financial position. To reward our Shareholders, we believe that reporting a positive underlying financial performance is good, but not good enough. The ultimate goal of our Board is to declare dividends when the opportunity arises. Dividend payment has always been high on our agenda and I am pleased that IRC is able to put words into action by initiating the capital reduction which would put the Company in a position to pay dividends or undertake any corporate exercise which requires the use of distributable reserves. We look forward to completing the capital reduction exercise in the first half of this year.”*

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following respective meanings:

“Accumulated Losses”	accumulated realised losses of the Company standing in the financial statements of the Company;
“Board”	the board of Directors;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	IRC Limited, a company incorporated in Hong Kong, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1029);
“Court”	the Court of First Instance of the High Court of Hong Kong;
“Director(s)”	the director(s) of the Company;
“Group”	the Company together with its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Proposed Capital Reduction”	the proposed reduction of the credit standing to the share capital account of the Company by an amount of US\$1,100,000,000 from approximately US\$1,285,384,000 to US\$185,384,000;
“Registrar”	the Registrar of Companies in Hong Kong;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholders”	the holder(s) of the Share(s);
“Share Option Scheme”	the share option scheme adopted by the Company in November 2015; and
“US\$”	United States dollars, the lawful currency of the United States of America.

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

Hong Kong, People’s Republic of China  
16 February 2022

*As at the date of this announcement, the Executive Director of the Company is Mr Yury Makarov. The Non-Executive Directors are Mr Peter Hambro and Mr Danila Kotlyarov. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Jonathan Martin Smith, Mr Raymond Kar Tung Woo and Mr Martin Davison.*

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