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

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 14 September 2022, after trading hours, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,419,942,876 new Shares at the Subscription Price of HK\$0.10641 per Subscription Share.

The Subscription Shares represent 20.0% of the existing issued share capital of the Company and approximately 16.7% of the total issued share capital of the Company as enlarged by the Subscription Shares.

THE SUBSCRIPTION AGREEMENT

On 14 September 2022, after trading hours, the Company and the Subscriber entered into the Subscription Agreement, the principal terms of which are set out below:

Date : 14 September 2022

Parties : (a) The Company, as issuer; and

(b) The Subscriber, as subscriber.

The Subscriber is wholly owned by Ms. Marina Alexeevna Kolesnikova, who is an entrepreneur and an investor.

Reference is made to the announcement of the Company dated 21 February 2022 in relation to, among others, the assignments of the rights of GPB under two facility agreements for an aggregate of US\$240 million with GPB as lender and K&S as borrower. Upon completion of the aforesaid assignments by GPB to the Subscriber, the Subscriber has become a lender to the Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of, and not connected with the Company and its connected persons.

Subscription

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,419,942,876 new Shares at the Subscription Price of HK\$0.10641 per Subscription Share to the Subscriber, at an aggregate consideration of HK\$151,096,121 (equivalent to approximately US\$19.4 million). Such consideration shall be paid by telegraphic transfer to the bank account of the Company on Subscription Completion.

Subscription Shares

The Subscription Shares represent:

- (i) 20.0% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming there will be no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion, save for the allotment and issue of the Subscription Shares).

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distributions made or proposed on or after the Subscription Completion.

Conditions precedent to the Subscription Completion

Subscription Completion is conditional upon fulfilment of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares and such approval and granting of permission not having been lapsed, withdrawn or revoked; and
- (b) all the warranties given under the Subscription Agreement by the Company remaining true, accurate and not misleading in all material respects.

If the Company becomes aware of any fact or circumstance that might reasonably be expected to prevent any of the above conditions precedent from being satisfied, the Company shall serve a written notice to inform the Subscriber. The Subscriber may at its absolute discretion waive condition precedent (b) above. In the event that any of the conditions of the Subscription is not fulfilled or waived at or prior to 5:00 p.m. on the Long Stop Date (or such later date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall terminate and become null and void and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any liability or obligation or make any claim against the other in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach of any obligation and any liabilities under the Subscription Agreement.

Subscription Completion

Subscription Completion will take place on a Business Day on or after the date of fulfilment (or waiver, as the case may be) of conditions precedent set out in the paragraphs headed “Conditions precedent to the Subscription Completion” in this announcement and shall be no later than the date falling 20 Business Days after the date of the Subscription Agreement (or on such other Business Day as may be agreed between the Company and the Subscriber in writing).

Lock-up arrangement for the Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber undertook that, during a period commencing from and including the date of Subscription Completion and ending on and including the date which is six months from the date of Subscription Completion, the Subscriber shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominees or trustees holding in trust for it shall not, without the prior written consent of the Company, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Subscription Shares (directly or indirectly); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Subscription Shares, whether any of the foregoing transactions is to be settled by delivery of the Subscription Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

SUBSCRIPTION PRICE

The Subscription Price is HK\$0.10641 per Subscription Share, which represents:

- (a) a discount of approximately 19.99% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (b) a discount of approximately 16.48% to the average closing price of HK\$0.1274 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day.

As all expenses in connection with the Subscription will be borne by the Subscriber, the net price to the Company of each Subscription Share will be HK\$0.10641. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to (i) recent market price of the Shares and current market condition; and (ii) the financial situation of the Company. The Directors consider that the Subscription Price is fair and reasonable.

REASONS FOR THE SUBSCRIPTION

As at the date of this announcement, the Group had total cash and deposits of approximately US\$56 million while the Group had gross borrowings of US\$102.9 million due to the Subscriber. In contemplation of the complex external operating environment which continues to get worse in the third quarter of 2022 and the market challenges that the Group faces, including the weakening of iron ore prices, appreciation of Russian Rouble, heightening of inflation rate, and the increase in market interest rate, the Group is in need of cash to deal with these external factors which are largely out of the Group's control. By entering into the Subscription Agreement, the Group can raise fund for the partial repayment of the GPB Facilities and strengthen its financial position without any additional interest burden.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF NET PROCEEDS

As all the expenses in connection to the Subscription will be borne by the Subscriber, the net proceeds from the Subscription will be HK\$151,096,121 (equivalent to approximately US\$19.4 million), which will be fully applied to prepay (i) the entire principal amount of the upcoming instalment of the GPB Facilities that will fall due and become payable by the Group in the fourth quarter of 2022; and (ii) part of the principals of each of the 12 quarterly instalments of the GPB Facilities that will fall due and become payable by the Group in each of the year ending 31 December 2023, 2024 and 2025, subject to adjustment.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the 12 months immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 7,099,714,381 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Subscription Completion (assuming there will be no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion, save for the allotment and issue of the Subscription Shares).

Name of Shareholders	As at the date of this announcement		Immediately after the Subscription Completion	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
Substantial Shareholders				
– Axiomi Consolidation Ltd (“ Axiomi ”) (Note 1)	2,120,000,000	29.86	2,120,000,000	24.88
The Subscriber (Note 1 & 2)	–	–	1,419,942,876	16.67
Other Public Shareholders	4,979,714,381	70.14	4,979,714,381	58.45
Total:	<u>7,099,714,381</u>	<u>100.00</u>	<u>8,519,657,257</u>	<u>100.00</u>

Notes:

- (1) As at the date of this announcement, Axiomi is ultimately controlled by Mr. Nikolai Levitskii (“**Mr. Levitskii**”). Accordingly, Mr. Levitskii is deemed to be interest in all the Shares held by Axiomi under SFO. Axiomi entered into a deed a share charge to pledge all 2,120,000,000 Shares it holds in favour of GPB (the “**Share Charge**”), such Share Charge became effective on 28 January 2022. Upon completion of GPB’s assignment of its rights under the GPB Facilities together with its right under the Share Charge to the Subscriber on or about 15 February 2022, the Subscriber has acquired security interest in the 2,120,000,000 Shares.
- (2) The interest of the Subscriber in the Company disclosed in this row does not include the security interest held by the Subscriber in respect of the 2,120,000,000 Shares as mentioned in note 1 above.

GENERAL

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 29 June 2022, on which date the total number of Shares in issue was 7,099,714,381. As at the date of this announcement, the Board has not utilised the aforesaid General Mandate and the available number of Shares that can be issued under the General Mandate is 1,419,942,876 Shares. The 1,419,942,876 Subscription Shares to be allotted and issued will utilise all of the aforesaid General Mandate. As the Subscription Shares are to be issued under the General Mandate, the Subscription is not subject to Shareholders’ approval.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As the Subscription Agreement may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturdays) on which licensed banks in Hong Kong are open for business
“Company”	IRC Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the shareholders of the Company passed on 29 June 2022 to allot, issue and deal with up to 1,419,942,876 Shares, representing 20% of the issued share capital of the Company as at 29 June 2022
“GPB”	Gazprombank (Joint-Stock Company)
“GPB Facilities”	the loan facilities in an aggregate amount of US\$240 million under two loan agreements with GPB as lender and K&S as borrower, which have been assigned by GPB to the Subscriber as announced by the Company on 21 February 2022
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“K&S”	Limited Liability Company “Kimkano-Sutarsky Mining and Beneficiation Plant”, a company incorporated under the laws of Russian Federation and a wholly-owned subsidiary of the Company
“Last Trading Day”	14 September 2022, being the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 December 2022 (or such later date as may be agreed between the Company and the Subscriber in writing)
“Russian Roubles”	the lawful currency of the Russian Federation
“SFO”	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	“MIC INVEST” Limited Liability Company, a company incorporate under the laws of the Russian Federation with limited liability and an independent third party to the Company
“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 14 September 2022 entered into between the Company (as issuer) and the Subscriber (as subscriber) in relation to the Subscription
“Subscription Completion”	completion of the Subscription
“Subscription Price”	the subscription price of HK\$0.10641 per Subscription Share

“Subscription Shares”	1,419,942,876 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

Note: In this announcement, the exchange rate of US\$1 to HK\$7.80 has been used for conversion into the relevant currencies for illustrative purposes only.

By Order of the Board
IRC Limited
Denis Cherednichenko
Chief Executive Officer

Hong Kong, People’s Republic of China
Wednesday, 14 September 2022

As at the date of this announcement, the executive Director is Mr. Denis Cherednichenko. The Chairman and non-executive Director is Mr. Nikolai Levitskii. The independent non-executive Directors are Mr. Dmitry Dobryak, Ms. Natalia Ozhegina, Mr. Alexey Romanenko and Mr. Vitaly Sheremet.

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