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**IRC Limited 鐵江現貨有限公司**

*(a company incorporated in Hong Kong with limited liability)*

**(Stock code: 1029)**

## **FURTHER RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

The Board announces that the Group intends to continue certain of its existing continuing connected transactions between the Group and certain connected persons of the Company referred to in the Prospectus, namely the Petropavlovsk Agreements. Under the Stock Exchange rules the aforesaid continuing connected transactions are subject to annual caps and a term of three years. The existing annual caps expired on 31 December 2015. The agreements for these existing continuing connected transactions expired in December 2015. The Group has renewed these existing continuing connected transactions for a further three years from 1 January 2016, and set new annual caps in respect of these existing continuing connected transactions for the same period. The relevant Group Companies entered into the Further Renewed Petropavlovsk Agreements.

Since the applicable percentage ratios (as defined in the Listing Rules) for each of the continuing connected transactions under the Further Renewed Petropavlovsk Agreements are less than 5%, the Further Renewed Petropavlovsk Agreements are subject to the reporting and announcement requirements set out in the Listing Rules and are exempt from the independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

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Since the applicable percentage ratios (as defined in the Listing Rules) for each of the continuing connected transactions under the Further Renewed Petropavlovsk Agreements are less than 5%, the Further Renewed Petropavlovsk Agreements are subject to the reporting and announcement requirements set out in the Listing Rules and are exempt from the independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

### **Further Renewed Petropavlovsk Agreements**

Petropavlovsk through its wholly-owned subsidiary Cayiron Limited is a substantial shareholder of the Company, and accordingly is a connected person of the Company for the purposes of the Listing Rules.

The Further Renewed Petropavlovsk Agreements comprise (a) the Further Renewed Shared Services Agreement; (b) the Further Renewed Technical Services Agreement; (c) the Further Renewed Helicopter Lease Agreement; and (d) the Further Renewed Helicopter Services Agreement.

#### *(a) Further Renewed Shared Services Agreement*

Prior to the initial public offering of the Company in October 2010, the Company and Petropavlovsk entered into an agreement in respect of the Shared Services. The Shared Services include shared office space, legal services, management and IT services, administrative services and equipment lease.

The Shared Services Agreement expired on 21 October 2013 and was renewed on 21 December 2012 by entering into the Renewed Shared Services Agreement, which expired on 31 December 2015. Subsequently, on 5 February 2016, the Company entered into the Further Renewed Shared Services Agreement. The Further Renewed Shared Services Agreement is on normal commercial terms and is for the period from 1 January 2016 to 31 December 2018. Under the Further Renewed Shared Services Agreement, the Shared Services are recharged at cost plus 10 per cent., representing a reasonable arm's length basis on which the services are provided or procured over the next three years.

#### *Historical/estimate transaction value*

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014 the aggregate amounts payable under the Renewed Shared Services Agreement were approximately US\$381,000 (equivalent to approximately HK\$2,952,750), US\$940,000 (equivalent to approximately HK\$7,285,000) and US\$189,000 (equivalent to approximately HK\$1,464,750), respectively. Based on the Group's unaudited management accounts, the aggregate amount payable under the Renewed Shared Services Agreement for the 9 months ended 30 September 2015 is approximately US\$61,000 (equivalent to approximately HK\$472,750).

#### *Annual caps and basis*

Under the Renewed Shared Services Agreement, the annual cap for each of the years ended 31 December 2013, 31 December 2014 and 31 December 2015 is US\$2,035,000 (equivalent to approximately HK\$15,771,250).

Under the Further Renewed Shared Services Agreement, the Company intends to apply an annual cap of US\$2,035,000 (equivalent to approximately HK\$15,771,250) for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively, which is the same annual cap for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 under the Renewed Shared Services Agreement.

The proposed annual cap amounts have been determined based on historical transaction figures and the Group's planned operations over the next three years, with a buffer to provide flexibility for any increase in shared services required by the Group or any increase in the base cost of providing such services. Each of the applicable percentage ratios (as defined in the Listing Rules) for the Further Renewed Shared Services Agreement is less than 5%.

#### *Reasons for the Further Renewed Shared Services Agreement*

By entering into the Further Renewed Shared Services Agreement, the Group can share office space with Petropavlovsk Group Companies without incurring extra costs by renting another property through other parties, and can continue to lease to Petropavlovsk Group Companies space it does not use in those locations. The Group can also continue to procure legal, management, IT and administrative services, including human resources and back-office support and other services from Petropavlovsk Group Companies who have a good understanding of the Group's business and with whom there are certain shared communication systems in place which could not be provided as efficiently by a third party.

#### *(b) Further Renewed Technical Services Agreement*

Prior to the initial public offering of the Company in October 2010, the Company and Petropavlovsk entered into the Technical Services Agreement, pursuant to which Petropavlovsk agreed to provide certain technical services to the Company. The technical services comprise construction services, engineering and design services and exploration and geological services.

The Technical Services Agreement expired on 21 October 2013 and was renewed on 21 December 2012 by entering into the Renewed Technical Services Agreement, which expired on 31 December 2015. Subsequently, on 5 February 2016, the Company entered into the Further Renewed Technical Services Agreement. The Further Renewed Technical Services Agreement is on normal commercial terms and is for the period from 1 January 2016 to 31 December 2018. The Further Renewed Technical Services are recharged at cost plus 10 per cent., representing a reasonable arm's length basis on which the services are provided or procured over the next three years.

### *Historical transaction value*

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014 the aggregate amounts payable under the Renewed Technical Services Agreement were approximately US\$714,000 (equivalent to approximately HK\$5,533,500), US\$44,000 (equivalent to approximately HK\$341,000) and US\$19,000 (equivalent to approximately HK\$147,250), respectively. Based on the Group's unaudited management accounts, the aggregate amount payable under the Renewed Technical Services Agreement for the 9 months ended 30 September 2015 is US\$nil.

### *Annual caps and basis*

Under the Renewed Technical Services Agreement, the annual cap for each of the years ended 31 December 2013, 31 December 2014 and 31 December 2015 is US\$6,000,000 (equivalent to approximately HK\$46,500,000).

Under the Further Renewed Technical Services Agreement, the Company intends to apply an annual cap of US\$4,500,000 (equivalent to approximately HK\$34,875,000) for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively, which is less than the annual cap for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 under the Renewed Technical Services Agreement.

The reduction in the proposed annual cap amounts under the Further Renewed Technical Services Agreement has been determined based on historical transaction figures and the Group's planned operations over the next three years. As the Kuranakh Project is moving to a care and maintenance status and the K&S Project will be completing soon, the Group is of the view that the proposed reduced annual cap amounts will be sufficient. The proposed annual cap amounts, however, also include a buffer to provide flexibility for any increase in technical services required by the Group or any increase in the base cost of providing such services. Each of the applicable percentage ratios (as defined in the Listing Rules) for the Further Renewed Technical Services Agreement is less than 5%.

### *Reasons for the Further Renewed Technical Services Agreement*

By entering into the Further Renewed Technical Services Agreement, the Group can continue to procure technical services for its K&S Project after its commissioning in the first half of 2016, where there are limited alternatives to procure construction or maintenance services within the EAO Region where the K&S Project is located or from a provider familiar with the K&S Project. The Group will also be able to continue to procure engineering and design services from entities with whom the Group has had a long working history, and whose quality of engineering and laboratory services provided and their knowledge of the Group's operations are preferred in comparison to third parties. The Group will also be able to continue procuring exploration and geological services within the area where the Group's assets are located, where there are very limited alternative and viable third party suppliers operating that provide the same quality of work and who are familiar with the Group's operations.

(c) *Further Renewed Helicopter Lease Agreement*

Prior to the initial public offering of the Company in October 2010, LLC GMMC (a subsidiary of the Company), MC Petropavlovsk and the Company entered into an agreement whereby LLC GMMC leases its helicopter to MC Petropavlovsk for use in Petropavlovsk's operations. MC Petropavlovsk is a subsidiary of Petropavlovsk and is therefore a connected person of the Company for the purposes of Chapter 14A of the Listing Rules.

The Helicopter Lease Agreement expired on 8 October 2013 and was renewed on 16 January 2013 by entering into the Renewed Helicopter Lease Agreement, which expired on 31 December 2015. Subsequently, on 5 February 2016, the Company entered into the Further Renewed Helicopter Lease Agreement. The Further Renewed Helicopter Lease Agreement is on no more favourable terms than those that would be offered to independent third parties and is for the period from 1 January 2016 to 31 December 2018. The amount charged to MC Petropavlovsk for the helicopter leases is calculated on the total cost, including amortisation and overheads plus a margin of 10 per cent., attributable to actual flight time.

*Historical/estimate transaction value*

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014, the aggregate amounts receivable under the Renewed Helicopter Lease Agreement were approximately US\$787,000 (equivalent to approximately HK\$6,099,250), US\$779,000 (equivalent to approximately HK\$6,037,250) and US\$652,000 (equivalent to approximately HK\$5,053,000), respectively. Based on the Group's unaudited management accounts, the aggregate amount receivable under the Renewed Helicopter Lease Agreement for the 9 months ended 30 September 2015 is approximately US\$317,000 (equivalent to approximately HK\$2,456,750).

*Annual caps and basis*

Under the Renewed Helicopter Lease Agreement, the annual cap for each of the years ended 31 December 2013, 31 December 2014 and 31 December 2015 is US\$1,000,000 (equivalent to approximately HK\$7,750,000).

Under the Further Renewed Helicopter Lease Agreement, the Company intends to apply an annual cap of US\$1,000,000 (equivalent to approximately HK\$7,750,000) for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively, which is the same annual cap for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 under the Renewed Helicopter Lease Agreement.

The proposed annual cap amounts have been determined based on historical transaction figures and MC Petropavlovsk's expected demand for helicopter services for the next three years, as advised to the Company by MC Petropavlovsk. Each of the applicable percentage ratios (as defined in the Listing Rules) for the Further Renewed Helicopter Lease Agreement is less than 5%.

### *Reasons for the Further Renewed Helicopter Lease Agreement*

Although the Petropavlovsk Group (excluding the Group) has its own helicopters, it is still necessary for it to procure helicopter services from the Group as the Petropavlovsk Group's helicopters may be under repair and maintenance at various times. This arrangement provides the Petropavlovsk Group with continuous access to a helicopter service.

#### *(d) Further Renewed Helicopter Services Agreement*

Prior to the initial public offering of the Company in October 2010, the Company and MC Petropavlovsk entered into an agreement relating to the provision by MC Petropavlovsk of helicopter services to the Group.

The Helicopter Services Agreement expired on 8 October 2013 and was renewed on 16 January 2013 by entering into the Renewed Helicopter Services Agreement, which expired on 31 December 2015. Subsequently, on 5 February 2016, the Company entered into the Further Renewed Helicopter Services Agreement. The Further Renewed Helicopter Services Agreement is on normal commercial terms and is for the period from 1 January 2016 to 31 December 2018. MC Petropavlovsk will recharge the Company for total cost, including amortisation and overheads plus a margin of 10 per cent., attributable to actual flight time.

#### *Historical/estimate transaction value*

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014, the aggregate amounts payable under the Renewed Helicopter Services Agreement, were approximately US\$229,000 (equivalent to approximately HK\$1,774,750), US\$112,000 (equivalent to approximately HK\$868,000) and US\$69,000 (equivalent to approximately HK\$534,750), respectively. Based on the Group's unaudited management accounts, the aggregate amount payable under the Renewed Helicopter Services Agreement for the 9 months ended 30 September 2015 is US\$nil.

#### *Annual caps and basis*

Under the Renewed Helicopter Services Agreement, the annual cap for each of the years ended 31 December 2013, 31 December 2014 and 31 December 2015 is US\$2,000,000 (equivalent to approximately HK\$15,500,000).

Under the Further Renewed Helicopter Services Agreement, the Company intends to apply an annual cap of US\$2,000,000 (equivalent to approximately HK\$15,500,000) for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively, which is the same annual cap for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 under the Renewed Helicopter Services Agreement.



The proposed annual cap amounts have been determined based on historical transaction figures and the Group's expected requirements for helicopter services over the next three years, having regard to the Group's planned activities in areas that are only accessible by helicopter. Each of the applicable percentage ratios (as defined in the Listing Rules) for the Further Renewed Helicopter Services Agreement is less than 5%.

#### *Reasons for the Further Renewed Helicopter Services Agreement*

The use of a helicopter is critical for the Group's business due to the distances between the Group's assets and offices. The Group owns a helicopter but also procures a helicopter service from the Petropavlovsk Group under the present arrangement so as to ensure that it has continuous access to a helicopter service. This will be relevant where the Group's own helicopter is under repair and maintenance, or where the Group's personnel require an extended service.

### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transactions under each of the Further Renewed Shared Services Agreement, the Further Renewed Technical Services Agreement, the Further Renewed Helicopter Lease Agreement and the Further Renewed Helicopter Services Agreement are less than 5%, such transactions are therefore subject to the reporting and announcement requirements set out in the Listing Rules and are exempt from the independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

In addition, the Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions and that such transactions are conducted on normal commercial terms or terms that are not less favourable to the Company than those available from other Independent Third Parties in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the annual caps of each of the Further Renewed Petropavlovsk Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

None of the Directors has any material interest in any of the Further Renewed Petropavlovsk Agreements.

### **INFORMATION ON THE CONNECTED PERSONS**

Petropavlovsk is a London-listed mining and exploration company with its principal assets located in Russia.

## INFORMATION ON THE GROUP

IRC is headquartered in Hong Kong and listed on the Stock Exchange. It is an established explorer, developer and producer of iron ore and other industrial commodities products in the Russian Far East, taking advantage of superior road infrastructure to deliver its projects and products quickly and at lower cost to its customer base, predominantly in China. In 2010, IRC commissioned the Kuranakh Mine, Russia's first vertically-integrated titanomagnetite operation. IRC is currently developing the world-class K&S Mine, which is expected to quadruple the Group's production capacity when it is commissioned in the first half of 2016.

## DEFINITIONS

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

“Board”	Board of Directors
“Company”	IRC Limited, a company incorporated in Hong Kong with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Further Renewed Helicopter Lease Agreement”	agreement dated 5 February 2016 between LLC GMMC, MC Petropavlovsk and the Company pursuant to which LLC GMMC leases its helicopter to MC Petropavlovsk
“Further Renewed Helicopter Services Agreement”	agreement dated 5 February 2016 between the Company and MC Petropavlovsk pursuant to which MC Petropavlovsk provides helicopter services to the Group
“Further Renewed Petropavlovsk Agreements”	the Further Renewed Shared Services Agreement, Further Renewed Technical Services Agreement, Further Renewed Helicopter Lease Agreement and Further Renewed Helicopter Services Agreement
“Further Renewed Shared Services Agreement”	agreement dated 5 February 2016 between Petropavlovsk and the Company for the procurement by the Company of certain administrative and operational services from Petropavlovsk
“Further Renewed Technical Services Agreement”	agreement dated 5 February 2016 between the Company and Petropavlovsk pursuant to which Petropavlovsk agrees to provide, either directly or through any of its subsidiaries, certain technical services to the Company
“Group” and “Group Companies”	the Company and its subsidiaries



“Helicopter Lease Agreement”	agreement dated 29 September 2010 between LLC GMMC, MC Petropavlovsk and the Company pursuant to which LLC GMMC leases its helicopter to MC Petropavlovsk
“Helicopter Services Agreement”	agreement dated 29 September 2010 between the Company and MC Petropavlovsk pursuant to which MC Petropavlovsk provides helicopter services to the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any of the Directors, chief executive, substantial Shareholders or any of its subsidiaries or their respective associates
“K&S”	a magnetite development project in the Company’s portfolio consisting of the Kimkan deposit and the Sutara deposit
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LLC GMMC”	a company registered in Russia whose registered office is at Ignatyevskoye Shosse, 19, Blagoveshchensk, 675028, Russian Federation, and a subsidiary of the Company
“MC Petropavlovsk”	a limited liability company, and a subsidiary of Petropavlovsk, incorporated in Russia whose registered office is at 140/1 Lenina Street, Blagoveshchensk, Amur Region, 675005, Russian Federation
“Petropavlovsk”	Petropavlovsk PLC, a public company incorporated in England and Wales with registered number 04343841 and listed on the Main Market of the London Stock Exchange and the Company’s ultimate parent company
“Petropavlovsk Agreements”	the Shared Services Agreement, Technical Services Agreement, Helicopter Lease Agreement and Helicopter Services Agreement
“Petropavlovsk Group” or “Petropavlovsk Group Companies”	Petropavlovsk and its subsidiaries, which include the Group
“PRC”	The People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Prospectus”	the prospectus of the Company dated 30 September 2010, containing, inter alia, the continuing connected transactions of the Company
“Renewed Helicopter Lease Agreement”	agreement dated 16 January 2013 between LLC GMMC, MC Petropavlovsk and the Company pursuant to which LLC GMMC leases its helicopter to MC Petropavlovsk
“Renewed Helicopter Services Agreement”	agreement dated 16 January 2013 between the Company and MC Petropavlovsk pursuant to which MC Petropavlovsk provides helicopter services to the Group
“Renewed Petropavlovsk Agreements”	the Renewed Shared Services Agreement, Renewed Technical Services Agreement, Renewed Helicopter Lease Agreement and Renewed Helicopter Services Agreement
“Renewed Shared Services Agreement”	agreement dated 21 December 2012 between Petropavlovsk and the Company for the procurement by the Company of certain administrative and operational services from Petropavlovsk
“Renewed Technical Services Agreement”	agreement dated 21 December 2012 between the Company and Petropavlovsk pursuant to which Petropavlovsk agrees to provide, either directly or through any of its subsidiaries, certain technical services to the Company
“Russia”	the Russian Federation, its territories, its possessions and all areas subject to its jurisdiction
“Russian Far East”	the Far Eastern Federal district of the Russian Federation, which covers the area of Russia between Lake Baikal in Siberia and the Pacific Ocean. The Far Eastern Federal district includes the Amur Region, Evreyskaya Avtonomnaya Oblast, Kamchatka Krai, Magadan Region, Primorsky Krai, Sakha Republic (Yakutia), Sakhalin Region, Khabarovsk Krai, and Chukotka Autonomous District
“Shared Services”	provision of legal, management, IT and administrative services
“Shared Services Agreement”	agreement dated 29 September 2010 between Petropavlovsk and the Company for the procurement by the Company of certain administrative and operational services from Petropavlovsk
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Services Agreement”	agreement dated 29 September 2010 between the Company and Petropavlovsk pursuant to which Petropavlovsk agrees to provide, either directly or through any of its subsidiaries, certain technical services to the Company
“%”	per cent

*For the purpose of this announcement, conversion of US\$ into HK\$ is calculated at the conversion rate of HK\$7.75 to US\$1.00. This conversion rate is for purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, converted at this or any other rates at all.*

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

Hong Kong, People’s Republic of China  
Friday, 5 February 2016

As at the date of this announcement, the Executive Directors of the Company are Mr Yury Makarov and Mr Danila Kotlyarov. The Non-Executive Directors are Mr George Jay Hambro, Mr Cai Sui Xin, Mr Liu Qingchun, Mr Simon Murray, *CBE, Chevalier de la Légion d’Honneur* and Mr Raymond Kar Tung Woo. The Independent Non-Executive Directors are Mr Daniel Bradshaw, Mr Chuang-Fei Li and Mr Jonathan Martin Smith.

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