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China Vanadium Titano-Magnetite Mining Company Limited
中國鈮鈦磁鐵礦業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00893)

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION
AND
RENEWAL OF MASTER GUARANTEE AGREEMENT AND
NOTICE OF EGM**

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



Capitalised terms used in this circular have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out from pages 7 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 to 38 of this circular. A letter from the Independent Financial Adviser, is set out on pages 39 to 71 of this circular.

A notice convening the EGM to be held on Monday, 26 May 2025 at 12.00 p.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10:30 a.m. on the same day) at City Tower, No. 86 Section 1, Renmin South Road, Qingyang District, Chengdu, the People’s Republic of China is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is published on the website of the HKEX (<https://www.hkexnews.hk>) and the website of the Company (<https://www.chinavtmmining.com>). If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

9 May 2025

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DEFINITIONS

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

“2019 Counter Indemnity”	a moveable asset pledge contract entered into between Chengyu Vanadium and the Company on 30 July 2019 for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company’s contingent liabilities and potential claims under the CVT Guarantees (if any), and the pledge of Chengyu Vanadium’s inventories (including but not limited to structural steels, coals etc.) as security for such counter-indemnity
“2022 Counter Indemnity”	the counter-indemnity agreement entered into between Chengyu Vanadium and the Company on 16 May 2022 for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company’s contingent liabilities and potential claims covered under the 2022 Master Guarantee Agreement (if any), and the pledge of Chengyu Vanadium’s inventories (comprising structural steels and iron ores or any other assets approved by the Company) as security for such counter-indemnity
“2022 Master Guarantee Agreement”	the existing master guarantee agreement entered into between the Company, the Borrowers and Chengyu Vanadium on 16 May 2022 (after trading hours), under which the Company agreed to continue to provide the CVT Guarantees on certain conditions
“2022 EGM”	the extraordinary general meeting of the Company on 29 June 2022 to approve the 2022 Master Guarantee Agreement (together with the Existing Guarantee Annual Cap(s)) and the transactions contemplated thereunder
“2022 EGM Circular”	the circular of the Company dated 8 June 2022

DEFINITIONS

“2025 Counter Indemnity”	the counter-indemnity agreement entered into between Chengyu Vanadium and the Company on 11 February 2025 for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company’s contingent liabilities and potential claims covered under the 2025 Master Guarantee Agreement (if any), and the pledge of inventories (mainly comprising industrial materials) and any other assets (mainly comprising machinery and equipment) as approved by the Company as security for such counter-indemnity
“2025 EGM”	the extraordinary general meeting of the Company, to be convened to consider and, if thought fit, approve the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder
“2025 Master Guarantee Agreement”	the renewed master guarantee agreement entered into between the Company, the Borrowers and Chengyu Vanadium on 11 February 2025 (after trading hours), pursuant to which the Company agreed to continue to provide the CVT Guarantees on certain conditions
“Annual Guarantee Fees Annual Cap(s)”	the proposed annual caps in respect of the annual guarantee fees to be paid to the Company by the Borrowers pursuant to the 2025 Master Guarantee Agreement, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for each of the three years ending 31 December 2027
“Board”	the board of directors of the Company
“Borrowers”	Huili Caitong and Xiushuihe Mining
“CCB”	China Construction Bank Corporation, Liangshan Branch* (中國建設銀行股份有限公司涼山分行)
“CCB-Caitong Indebtedness Amount”	the principal indebtedness of RMB276.9 million, interest and applicable charges owed to CCB by Huili Caitong

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“Chengyu Vanadium”	Chengyu Vanadium Titano Technology Ltd.* (成渝鈦鈦科技有限公司), formerly known as Weiyuan Steel Co., Ltd.* (威遠鋼鐵有限公司), a sino-foreign equity joint venture established in the PRC on 3 April 2001, and is controlled by the Relevant CVT Substantial Shareholders
“Cinda”	China Cinda Asset Management Co., Ltd, Sichuan Branch* (中國信達資產管理股份有限公司四川省分公司)
“close associate(s)”	has the same meaning ascribed to it under the Listing
“CMB”	China Merchant Bank Co., Ltd, Chengdu Branch* (中國招商銀行股份有限公司成都分公司)
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈦鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00893)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CVT Guarantees”	guarantees given by the Company in favour of the Financial Institutions guaranteeing, <i>inter alia</i> , the indebtedness owing by the Borrowers to the Financial Institutions with a maximum guaranteed amounts of RMB730.0 million, and as at 31 December 2024, RMB690.0 million
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by Sichuan Lingyu of the entire equity interest in Huili Caitong (and its subsidiaries, namely Xiushuihe Mining and Panzihua Yixingda Industrial Trading Co., Ltd.* (攀枝花易興達工貿有限責任公司)) pursuant to the sale and purchase agreement dated 29 January 2019 entered into among Sichuan Lingyu and Chengyu Vanadium

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“Effective Date”	1 January 2025, the effective date of the 2025 Master Guarantee Agreement, being the date from which the agreement is deemed to take effect retrospectively, and subject to the fulfilment of all conditions precedent set out thereunder
“EGM”	extraordinary general meeting
“Existing Guarantee Annual Cap(s)”	the proposed annual caps for the three years ending 31 December 2024 as set out in the circular of the Company dated 8 June 2022, which were subsequently approved by the Independent Shareholders at the 2022 EGM
“Financial Institutions”	certain banks and an asset management and financial services institution in the PRC in favour of which the Company entered into the CVT Guarantees with a maximum guaranteed amounts of RMB730.0 million as security in relation to credit facilities granted to the Borrowers
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huili Caitong”	Huili Caitong Iron and Titanium Co., Ltd.* (會理市財通鐵鈦有限責任公司), a limited liability company established in the PRC on 7 July 1998, which is a wholly-owned subsidiary of Chengyu Vanadium
“IBC”	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Yu Haizong, Mr. Wu Wen, Mr. Liu Yi and Mdm. Tang Guoqiong, to advise the Independent Shareholders with respect to the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder
“ICBC”	Industrial and Commercial Bank of China Limited, Liangshan Branch* (中國工商銀行股份有限公司涼山分行)

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“IFA”	Goldlink Capital (Corporate Finance) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the IBC and the Independent Shareholders with regard to the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders, other than Trisonic International, the Relevant CVT Substantial Shareholders and their respective close associates which are required to abstain from voting at the 2025 EGM pursuant to the Listing Rules
“Latest Practicable Date”	6 May 2025, being the latest practicable date for ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purposes of this circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Relevant CVT Substantial Shareholders”	Mr. Wang Jin (王勁), Mr. Shi Yinjun (石銀君), Mr. Zhang Yuangui (張遠貴) and Mr. Li Hesheng (李和勝), parties acting in concert and some of the substantial Shareholders through their ownership in Trisonic International
“Revised Guarantee Annual Cap(s)”	the proposed revised annual caps in respect of the maximum guaranteed amounts to be provided by the Company to the Financial Institutions under the 2025 Master Guarantee Agreement for each of the three years ending 31 December 2027
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time

DEFINITIONS

“Share(s)”	share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Sichuan Lingyu”	Sichuan Lingyu Investment Group Co., Ltd.* (四川省凌御投資集團有限公司), a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Indebtedness Amounts” or “Indebtedness Claims”	collectively, the CCB-Caitong Indebtedness Amount, the ICBC-Caitong Indebtedness Amount, the ICBC-Xiushuihe Indebtedness Amount, and the Cinda-Caitong Indebtedness Amount
“Trisonic International”	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and a controlling shareholder of the Company
“Xiushuihe Mining”	Huili Xiushuihe Mining Co., Ltd.* (會理秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, which is owned as to 95% by Huili Caitong and 5% by Xichang Vanadium and Titanium Products Co., Ltd* (西昌釩鈦製品有限公司)
“%”	per cent

* *The English translation of the Chinese name is for information only, and should not be regarded as the official English translation of such name.*

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

LETTER FROM THE BOARD



China Vanadium Titano-Magnetite Mining Company Limited

中國鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

Non-executive Director:

Mr. Teh Wing Kwan (*Chairman*)

Executive Directors:

Mr. Hao Xiemin (*Chief Executive Officer*)

Mr. Wang Hu

Independent Non-executive Directors:

Mr. Yu Haizong

Mr. Liu Yi

Mr. Wu Wen

Mdm. Tang Guoqiong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111, Cayman Islands

Principal Place of Business in

Hong Kong:

Suite 3201, 32/F

Alexandra House

18 Chater Road

Central Hong Kong

9 May 2025

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION AND
RENEWAL OF MASTER GUARANTEE AGREEMENT**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 11 February 2025 in relation to the renewal of the 2022 Master Guarantee Agreement.

The purpose of this circular is to provide the Independent Shareholders with (i) further details of the 2025 Master Guarantee Agreement; (ii) a letter of recommendation from the IBC to the Independent Shareholders in relation to major transaction and continuing connected transaction; (iii) a letter of advice from the IFA to the IBC and the Independent Shareholders in relation to major transaction and continuing connected transaction; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

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II. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION

1. Background

References are made to the circulars of the Company dated 10 June 2019 and 8 June 2022 (the “**Circulars**”), and the announcements of the Company dated 30 July 2019, 16 May 2022, 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024, 23 December 2024, 11 February 2025, 4 March 2025 and 6 May 2025 (the “**Announcements**”) in relation to the CVT Guarantees. Unless otherwise stated or defined in this circular, capitalised terms used herein shall have the same meanings as those defined in the Circulars and the Announcements.

As disclosed in the Circulars and the Announcements, Huili Caitong, the Company’s former wholly-owned subsidiary, and Xiushuihe Mining, another former indirect subsidiary of the Company and a subsidiary of Huili Caitong, previously secured loan facilities from the Financial Institutions, in 2010, 2013 and 2014, and on which the Company has provided the CVT Guarantees in favour to each of the Financial Institutions with maximum guaranteed amounts of RMB730.0 million. The details of the CVT Guarantees had previously been disclosed in the Circulars and the Company’s annual reports; and are consistent with the terms and conditions for the completion of the Disposal.

Following the Disposal, the Company and Chengyu Vanadium entered into the 2019 Counter Indemnity for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company’s contingent liabilities and potential claims under the CVT Guarantees. The 2019 Counter Indemnity remains effective until the date of actual release of the CVT Guarantees.

Given that the CVT Guarantees are continuing in nature and will only be released by the Financial Institutions upon full and final settlements are made, the Company had, on 16 May 2022, extended the CVT Guarantees by entering into the 2022 Master Guarantee Agreement and the 2022 Counter Indemnity with Chengyu Vanadium, which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees. The terms set out thereof, the transactions contemplated thereby together with the proposed annual caps for the three years ended 31 December 2024 as set out in 2022 EGM Circular, were subsequently approved by the Independent Shareholders at the 2022 EGM.

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As disclosed in the Company's announcements dated 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024 and 23 December 2024, (i) CCB and ICBC had each taken legal actions against Huili Caitong and Xiushuihe Mining, respectively, in relation to the CCB-Caitong Indebtedness Amount, the ICBC-Caitong Indebtedness Amount and the ICBC-Xiushuihe Indebtedness Amount; and (ii) Cinda had issued a legal demand letter to Huili Caitong in relation to the Cinda-Caitong Indebtedness Amount, on which the Company had previously provided corporate guarantees prior to the Disposal, details of which have been disclosed in the Circulars. Under the CVT Guarantees, the Company shall fulfil its corporate guarantee obligations in relation to the Total Indebtedness Amounts.

Overview and status of the indebtedness claims

A summary of the Indebtedness Claims as at the Latest Practicable Date is as follows:

No.	Borrowers	Financial Institutions	Year of inception of the loan	Principal amount involved in the Indebtedness Claims (RMB'000)	Status as at the Latest Practicable Date (the "Status Updates")
1	Huili Caitong	Cinda ¹	2014	140,975	Huili Caitong had received a legal demand letter from Cinda and has since initiated discussions with Cinda to explore potential settlement options and/or debt restructuring arrangements, as previously announced on 15 November 2024.
2	Huili Caitong	ICBC	2013	69,715	Separate litigations have been commenced against Huili Caitong and Xiushuihe Mining and the Huili Caitong Parties are in discussions with ICBC to explore potential options for settlement and/or debt restructuring, as previously announced on 19 August 2024 and 21 August 2024.
3	Xiushuihe Mining	ICBC	2013	19,000	
4	Huili Caitong	CCB	2010	276,929	Huili Caitong has received Judgements, and the Judgements also set out that the Company is required to fulfil its corporate guarantee obligations under the CVT Guarantees. The Huili Caitong Parties are in discussion with CCB to explore potential options for settlement and/or debt restructuring, as previously announced on 29 March 2024 and 19 June 2024.
				<u>506,619</u>	

¹ As disclosed in the Company's circular dated 8 June 2022, the Company was informed of the assignment by CMB of all its rights in the credit agreement and the guarantee in favour of Cinda.

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As at the Latest Practicable Date, the maximum guaranteed amounts provided by the Company under the CVT Guarantees as at 31 December 2024 were RMB690.0 million, which are also the Scenario 1 Proposed Annual Cap. However, as stated in the Status Updates, the Huili Caitong Parties are still in discussions with the Financial Institutions as at the Latest Practicable Date, exploring potential options for settlement and/or debt restructuring (the “**Ongoing Discussions**”); and the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM.

Under such circumstances, assuming that there are no settlement, repayment and/or reduction in the principal amount of the Total Indebtedness Amounts, which may or may not occur during the Renewal Period as may arise from the Ongoing Discussions, the total maximum guaranteed amounts comprising (i) the principal amount of the Total Indebtedness Amounts; and (ii) the accumulated interests, penalties and other incidental expenses (the “**Scenario 2 Estimated Incidental Costs and Expenses**”), are estimated to be approximately RMB930.0 million by 31 December 2027, which is also the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap.

The details of the Scenario 2 Proposed Annual Cap, which takes into consideration the Scenario 2 Estimated Incidental Costs and Expenses, are set out as follows:

Financial year	Scenario 2 Proposed Annual Cap (RMB'000)
FY2025	792,000
FY2026	859,000
FY2027	930,000

As such, on 11 February 2025, notwithstanding the maximum guaranteed amounts under the CVT Guarantees were RMB690.0 million as at 31 December 2024, the Company has entered into the 2025 Master Guarantee Agreement with the Borrowers and Chengyu Vanadium, pursuant to which the Company will continue to provide the CVT Guarantees based on the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap as illustrated and explained above, while Chengyu Vanadium will continue to provide the counter-indemnity in favour of the Company and the Borrowers will continue to pay annual guarantee fees to the Company, for a term of three years ending on 31 December 2027. For further details, please refer to the section headed “Rationale for entering into the 2025 Master Guarantee Agreement” below in this circular.

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2. 2025 Master Guarantee Agreement

The salient terms of the 2025 Master Guarantee Agreement are summarised below:

Date:

11 February 2025 (after trading hours)

Parties:

- (i) the Company;
- (ii) Huili Caitong;
- (iii) Xiushuihe Mining; and
- (iv) Chengyu Vanadium

Period:

Commencing from the Effective Date to 31 December 2027

Major Terms

1. The Company shall continue to provide the CVT Guarantees in favour of the Financial Institutions for a term commencing from the Effective Date to 31 December 2027 (the “**Renewal Period**”), subject to maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap of not more than RMB930.0 million.
2. The CVT Guarantees shall continue to be provided under the 2025 Master Guarantee Agreement and shall cover:
 - (a) the Total Indebtedness Amounts owing by the Borrowers to the Financial Institutions under the CVT Guarantees;
 - (b) any loans approved by the Financial Institutions resulting from rollover, extension, refinancing, or restructuring of the indebtedness set out in (a) above from time to time; and
 - (c) costs of enforcing the indebtedness set out in (a) above against the Borrowers incurred by the Financial Institutions, including the estimated amounts under the Scenario 2 Estimated Incidental Costs and Expenses.

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3. During the term of extension of the CVT Guarantees, the Borrowers shall:
- (a) continue to pay the annual guarantee fees to the Company, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, in accordance with the terms of the 2025 Master Guarantee Agreement. The annual guarantee fees shall start to accrue from 1 January 2025 and the Borrowers shall pay such annual guarantee fees within 30 days after the end of each calendar quarter, subject to compliance with applicable laws, regulations, and the Listing Rules.

The rate of the annual guarantee fees has been determined based on arm's length negotiations between the Company and the Borrowers having considered (i) the market rates generally payable for the provision of corporate guarantees by publicly listed companies in Hong Kong; (ii) the quantum of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap; and (iii) the basis of which the annual guarantee fees for the past three years ended 31 December 2024 had been determined; and
 - (b) continue to fulfil their obligations under the 2025 Master Guarantee Agreement until the obligations of the Company under the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions or until the Borrowers and the Company reach a new replacement agreement in writing.
4. During the term of extension of the CVT Guarantees, Chengyu Vanadium shall:
- (a) continue to pledge its inventories (mainly comprising industrial materials), and any other assets (mainly comprising machinery and equipment) as approved by the Company (the "**Pledged Assets**") as security for such counter-indemnity. The market value of such Pledged Assets shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027;
 - (b) continue to provide a joint liability guarantee which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the CVT Guarantees; and

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- (c) continue to fulfil its obligations under the 2025 Master Guarantee Agreement and 2025 Counter Indemnity until the Company's obligations under the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions or until the Borrowers and the Company reach a new replacement agreement in writing.

In this connection, Chengyu Vanadium has entered into the 2025 Counter Indemnity to cover the Company's contingent liabilities and potential claims under the 2025 Master Guarantee Agreement and to continue to pledge Chengyu Vanadium's Pledged Assets as security for such counter-indemnity. The 2025 Counter Indemnity shall take effect from the Effective Date.

3. Valuation Methodologies and Principal Assumptions of Pledged Assets

The Pledged Assets mainly comprise inventories and machineries and equipment (the "M&E"). In particular:

(i) Inventories

The inventories comprise more than 40 types of industrial materials, which include vanadium titanium concentrate, laterite nickel ore, Brazilian coarse powder, mika powder, etc., as well as sulfur coking coals, secondary metallurgical coke, blast furnace anthracite, among others. Notably, the independent valuer adopted the market approach, assessing value by comparing recent transaction prices of identical or similar inventories in the market excluding relevant disposal taxes and fees. Independent valuer is also of the view that the cost and income approaches were deemed unsuitable as they do not accurately reflect inventories value and the inventories do not generate independent future income.

The formula of the market approach: appraised value = (Quantity of raw materials × Market price of raw materials excluding tax) – Related disposal taxes and fees

(ii) M&E

The M&E comprise over 1,100 items, including boilers, steam turbines, drum mixers, stone and ore crushers, magnetic separators, vehicles among others. Independent valuer has adopted cost and market approaches which generally based on the market price or replacement cost of a comparable M&E and adjusted for allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilisation.

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The formula for the cost approach: appraised value = full replacement price × newness rate

(a) *Full replacement price*

Where full replacement price = purchase price of equipment + transportation and incidental cost + equipment foundation cost + installation cost + other costs + capital cost – deductible input VAT.

Purchase price: for equipment that is still in circulation on the market is determined directly by its prevailing market price, or by referring to the contract prices of similar equipment around the same date. For smaller equipment, the acquisition price is mainly determined by referencing market quotations.

For equipment where current prices cannot be obtained, if comparable assets are available, the cost approach is used by adjusting the price of similar equipment to determine the acquisition cost (updated replacement cost). If both the current price of the equipment and comparables cannot be sourced, the price index approach (restored replacement cost) is applied. This involves using the original purchase price of the equipment and adjusting it based on the price inflation index for similar assets to determine the acquisition cost.

Transportation and incidental cost: refer to the costs incurred during the transportation of equipment, including shipping fees, loading and unloading charges, and other related miscellaneous expenses. The transportation and incidental charges rate is determined based on the region and the distance from the nearest station or dock, and is calculated according to the rates specified in the relevant industry guidelines. The calculation formula is as follows:

Transportation and incidental charges = Equipment purchase price × Transportation and incidental charge rate

Installation and testing cost: the equipment installation fee rate is calculated based on the rates specified in the relevant industry estimation guidelines. The calculation formula is as follows:

Equipment installation fee = Equipment purchase cost × Equipment installation fee rate

Equipment foundation cost: is determined based on the rates specified in the relevant industry estimation guidelines. The calculation formula is as follows:

Equipment foundation cost = Equipment purchase cost × Equipment foundation fee rate

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Other costs: calculated based on the investment amount of the project owner, in accordance with the fee standards set by industry, national, or local government regulations.

Capital costs: calculated based on the reasonable construction period of the project held by the property owner. The calculation is referenced from the benchmark interest rate for RMB loans published by the People's Bank of China on the valuation reference date. The total costs, including the equipment purchase price, transportation and incidental charges, installation fees, other costs, are used as the base, with capital costs applied based on the assumption of uniform capital input.

Deductible input VAT: related costs \times VAT rate / (1 + VAT rate), where the applicable rates are (i) equipment purchase: 13%; (ii) transportation, installation cost and foundation fees: 9%; and (iii) other charges which is non-administrative and non-public service: 6%.

(b) *Newness rate*

The newness rate is determined by adopting the weighted average method and the formula is: newness rate (“N”) = theoretical newness rate (“N1”) \times 40% + on-site surveyed newness rate (“N2”) \times 60%, where:

Theoretical newness rate: obtained the relevant information to determine the used life, the economic useful life and the remaining useful life exceeding the economic useful life of the machinery and equipment with following formula:

For equipment within its economic useful life: $N1 = (1 - \text{used life} / \text{economic useful life}) \times 100\%$

For equipment beyond its economic useful life: $N2 = (\text{remaining useful life} / (\text{used life} + \text{remaining useful life})) \times 100\%$

On-site surveyed newness rate: through on-site survey of the status of the equipment and access to relevant operation and management information, on-site survey of each component of the equipment is carried out to determine its on-site surveyed newness rate.

Based on the aforesaid valuation approaches, the value of the inventories was approximately RMB310.1 million; while value of the M&E was approximately RMB697.7 million, as at 31 December 2024. Consequently, the total value of the Pledged Assets was approximately RMB1.008 billion, as at 31 December 2024.

LETTER FROM THE BOARD

Pricing Source

The independent valuer has referenced the following reliable and authoritative sources in conducting the evaluation:

- Market price information gathered by the independent valuer, including direct inquiries made with key manufacturers to obtain up-to-date pricing information;
- MySteel (我的鋼鐵網), a major steel industry pricing data platform;
- Tonghuashun iFind, an institutional-level financial data platform;
- Online commerce B2B marketplace such as Baidu's "Aicaigou" and Alibaba, which provide current pricing data and insights from a range of suppliers and manufacturers;
- Macroeconomic and industry statistic and reports from reputable sources, including the National Bureau of Statistics, covering macroeconomic trends, industry-specific developments, and regional market dynamics; and
- Other available databases.

Conditions Precedent

The 2025 Master Guarantee Agreement shall be conditional upon the approval of the Independent Shareholders at the 2025 EGM in accordance with the Listing Rules.

4. 2025 Counter Indemnity

As discussed above and in furtherance of the 2025 Master Guarantee Agreement, Chengyu Vanadium entered into the 2025 Counter Indemnity on 11 February 2025, the major terms of which are set out below:

Date

11 February 2025 (after trading hours)

Parties

- (i) The Company; and
- (ii) Chengyu Vanadium

LETTER FROM THE BOARD

Effective Date

The 2025 Counter Indemnity shall take effect on the same date as the Effective Date.

Scope

The 2025 Counter Indemnity shall cover the Company's contingent liabilities and potential claims under the 2025 Master Guarantee Agreement, including (i) the sums actually payable by the Company with respect to the Total Indebtedness Amounts owing by the Borrowers to the Financial Institutions under the CVT Guarantees; (ii) all costs incurred by the Company for effectuating its right under the 2025 Counter Indemnity and for the failure of Huili Caitong and Xiushuihe Mining to discharge the Company's compliance obligations from time to time pursuant to the Listing Rules and the Companies Ordinance (Cap. 622); and (iii) any other costs which shall be borne by Chengyu Vanadium.

Counter Indemnity Measures

Pursuant to the terms of the 2025 Counter Indemnity, Chengyu Vanadium shall provide counter-indemnity in favour of the Company as follows:

- (i) continue to pledge its inventories (mainly comprising industrial materials), and any other assets (mainly comprising M&E) as approved by the Company as security for such counter-indemnity. The market value of such Pledged Assets shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027. The 1.25 multiple used for calculating the market value of the Pledged Assets is determined based on management judgment and after commercial negotiation to provide a reasonable buffer for potential risks associated with asset depreciation and market volatility. The value of the Pledged Assets was approximately RMB1.008 billion as at 31 December 2024, as supported by valuation reports issued by an independent valuer, which are at least 1.25 times the maximum guarantee amounts of RMB792.0 million for the year 2025; and
- (ii) continue to provide a several and joint liability guarantee which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the CVT Guarantees. Under the CVT Guarantees, the Company is severally and jointly liable with the Borrowers to the Financial Institutions as to the Total Indebtedness Amounts pursuant to the terms of the CVT Guarantees, which specify that the Company provides a several and joint liability guarantee shall the Borrowers fail to repay the Total Indebtedness Amounts.

LETTER FROM THE BOARD

5. Existing Guarantee Annual Caps and Historical Maximum Guaranteed Amounts

The Existing Guarantee Annual Caps and the Group's historical maximum guaranteed amounts under the CVT Guarantees for the three years ended 31 December 2024 are set out below:

	2022	2023	2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Existing Guarantee Annual Caps	730.0	730.0	730.0
Historical maximum guaranteed amounts	690.0	690.0	690.0

6(a). Proposed Revised Guarantee Annual Caps

The proposed Revised Guarantee Annual Caps are as follows:

Period	Revised Guarantee Annual Caps <i>RMB' million</i>
From Effective Date to 31 December 2025	930.0
From 1 January 2026 to 31 December 2026	930.0
From 1 January 2027 to 31 December 2027	930.0

The above proposed Revised Guarantee Annual Caps have been determined after taking into account the followings:

1. the total amount outstanding under the CVT Guarantees as at 31 December 2024, the historical maximum guaranteed amounts mandated under the CVT Guarantees, and that the CVT Guarantees have not been released by the Financial Institutions as at the Latest Practicable Date; and
2. as the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM, the maximum guaranteed amounts estimated for the Renewal Period under the Scenario 2 Proposed Annual Cap, taking into consideration the Scenario 2 Estimated Incidental Costs and Expenses, have been estimated based on hypothetical assumptions that, which may or may not occur, there are no settlement, repayment and/or reduction in the principal amount of the Total Indebtedness Amounts even though such amounts may not necessarily be crystallised in full if progressive repayments could be made by the Borrowers once the outcomes of the Ongoing Discussions can be concluded during the Renewal Period.

LETTER FROM THE BOARD

The Directors (including the IBC, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, after considering the advice from the IFA) consider that the above proposed Revised Guarantee Annual Caps are fair and reasonable.

6(b). Proposed Annual Guarantee Fees Annual Caps

The proposed Annual Guarantee Fees Annual Caps are as follows:

Period	Annual Guarantee Fees Annual Caps RMB' million
From Effective Date to 31 December 2025	11.625
From 1 January 2026 to 31 December 2026	11.625
From 1 January 2027 to 31 December 2027	11.625

The above proposed Annual Guarantee Fees Annual Caps have been determined after taking into account the followings:

1. the Group will receive not more than approximately RMB11.625 million per annum as guarantee fee income assuming the maximum guarantee amounts estimated under the Scenario 2 Proposed Annual Cap is to remain at RMB930.0 million during the Renewal Period; and
2. the annual rate of the guarantee fees has been determined based on arm's length negotiations between the Company and the Borrowers, having considered (i) the market rates generally payable for the provision of corporate guarantees by publicly listed companies in Hong Kong; (ii) the quantum of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Caps; and (iii) the basis which the annual guarantee fees for the past three years ended 31 December 2024 had been determined.

The Directors (including the IBC, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, after considering the advice from the IFA) consider that the above proposed Annual Guarantee Fees Annual Caps are fair and reasonable.

LETTER FROM THE BOARD

7. Rationale for entering into the 2025 Master Guarantee Agreement

Given that the CVT Guarantees are continuing in nature and will only be released by the Financial Institutions upon full and final settlements are made, the Company had, on 16 May 2022, extended the CVT Guarantees by entering into the 2022 Master Guarantee Agreement and the 2022 Counter Indemnity with Chengyu Vanadium, which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees. The terms set out thereof, the transactions contemplated thereby together with the proposed annual caps for the three years ended 31 December 2024 as set out in the 2022 EGM Circular, were subsequently approved by the Independent Shareholders at the 2022 EGM. Based on the Announcements and the Status Updates, the Company would like to further highlight that:

- the Company will have to fulfil its corporate guarantee obligations under the CVT Guarantees in relation to the Total Indebtedness Amounts, given the continuity nature of the CVT Guarantees;
- the Company's rights to claim against Chengyu Vanadium directly through the enforcement of the 2022 Counter Indemnity should the Company suffers from any losses as a result of the CVT Guarantees to any of the Financial Institutions will not be affected by the fact that the Existing Guarantee Annual Caps had expired on 31 December 2024, given the counter-indemnity measures as provided by Chengyu Vanadium and the Borrowers in favour of the Company of their obligations under the 2022 Counter Indemnity for keeping the Company indemnified against any loss and costs that may be suffered by the Company in connection with any enforcement by any Financial Institution of any CVT Guarantees;
- the Company has received confirmation from Chengyu Vanadium that it will continue to fulfil its obligations under the 2022 Master Guarantee Agreement and 2022 Counter Indemnity and the Huili Caitong Parties have further confirmed to the Company in writing that they will continue to fulfil such obligations even after 31 December 2024, regardless of the outcome of 2025 EGM (the "**Huili Caitong Confirmation**"); and
- in view of the Company's corporate guarantee obligations for the Total Indebtedness Amounts under the CVT Guarantees (which fall within the ambit of the 2022 Master Guarantee Agreement as approved in the 2022 EGM) and having considered the hypothetical assumptions under the Scenario 2 Proposed Annual Cap, the Company has requested the Huili Caitong Parties to continue to pay the annual guarantee fees, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, which the Huili Caitong Parties have agreed.

LETTER FROM THE BOARD

- The total assets of Huili Caitong and Xiushuihe Mining, as reported in the latest China GAAP-audited financial statements for the financial year ended 31 December 2023, are as follows:

	Huili Caitong	Xiushuihe Mining	Less: Inter- company elimination ⁽¹⁾	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	199	3	–	202
Trade and other receivables	963,938	465,651	(200,614)	1,228,975
Inventories	31,267	27,221	–	58,488
Investment in subsidiaries	325,980	–	(24,700)	301,280
Property, plant and equipment	804,051	469,741	–	1,273,792
Intangible assets ⁽²⁾	<u>420,807</u>	<u>277,244</u>	<u>–</u>	<u>698,051</u>
Total assets	<u>2,546,242</u>	<u>1,239,860</u>	<u>(225,314)</u>	<u>3,560,788</u>
Net assets	<u>1,289,529</u>	<u>546,816</u>	<u>(225,314)</u>	<u>1,611,031</u>
Cash inflow from operating activities	<u>133,085</u>	<u>86,568</u>	<u>–</u>	<u>219,653</u>

Notes:

- Eliminate inter-company balances between Huili Caitong and Xiushuihe Mining to prevent double-counting.
- Mainly comprise mining licenses of Baicao Mine (白草鐵礦), Cizhuqing Mine (茨竹箐鐵礦), Yangqueqing Mine (陽雀箐鐵礦), and Xiushuihe Mine (秀水河); and exploration license of Xiaoheijing Mine (小黑箐礦).

The combined net assets of Huili Caitong and Xiushuihe Mining which amount to approximately RMB1.6 billion after eliminating inter-group balances. The net assets represent approximately (i) 315.8% of the principal amount of the Total Indebtedness Amount of RMB506.6 million as at the Latest Practicable Date, owed by the Borrowers to the Financial Institutions; and (ii) 231.9% of the maximum guaranteed amount of RMB690.0 million as at the Latest Practicable Date.

LETTER FROM THE BOARD

Having considered the above and notwithstanding the Huili Caitong Confirmation, the Company, for the purpose of good corporate governance practice and in consistent with the practice of 2022 EGM, intends to seek Independent Shareholders' approval in the 2025 EGM, to enter into the proposed 2025 Master Guarantee Agreement after the expiry of the 2022 Master Guarantee Agreement on 31 December 2024, such that the proposed 2025 Master Guarantee Agreement will take into consideration of the Status Updates; and shall cover the Revised Guarantee Annual Caps and the Annual Guarantee Fees Annual Caps, which are to be extended for the Renewal Period.

As a matter of transparency, notwithstanding that the total maximum guaranteed amounts as at 31 December 2024 of RMB690.0 million under the Scenario 1 Proposed Annual Cap was lower than RMB730.0 million which was originally approved in the 2022 EGM due to progressive repayments made by the Borrowers, the Company intends to seek approval from the Independent Shareholders to renew the Existing Guarantee Annual Caps for the Renewal Period in the 2025 EGM with the Scenario 2 Proposed Annual Cap given that the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM. The Company needs to highlight that the maximum guaranteed amounts under the Scenario 2 Proposed Annual Cap have been estimated based on the hypothetical assumptions that, which may or may not occur, there are no settlement, repayment and/or reduction in the principal amount of the Total Indebtedness Amounts during the Renewal Period as may arise from the Ongoing Discussions; and the full amount of which may not necessarily be crystallised if progressive repayments could be made by the Borrowers once the outcomes of the Ongoing Discussions can be concluded during the Renewal Period.

As at the Latest Practicable Date, having considered (i) the total assets of both Huili Caitong and Xiushuihe Mining (including the indicative market values of their operating assets) as at 31 December 2024; (ii) the adequacy of the transaction contemplated under the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity; and (iii) other currently available information to the Group, the Group does not expect that the above matters to have material impact on its business operations and financial position as at the Latest Practicable Date save for the additional administrative expenses as may be incurred by the Company. Such administrative expenses consist of legal and other professional fees related to ongoing litigation initiated by CCB and ICBC against Huili Caitong and Xiushuihe Mining, as well as potential legal proceedings by Cinda. Management estimates such expenses to be approximately 0.6% of the Total Indebtedness Amount by making reference to the identified expenditures as incurred in the litigations with CCB. The Company will continue to assess the respective financial effects and shall make further announcement(s) should there be any material changes in the abovementioned.

LETTER FROM THE BOARD

Implication and contingency measures in the event that Independent Shareholders' approval is not obtained

Given that the CVT Guarantees are continuing in nature following the completion of the Disposal and will only be released upon the full and final settlement are made and officially discharged by the respective Financial Institutions, the contingent liabilities pertaining to the CVT Guarantees will continue to exist. In the event that the Independent Shareholders' approval could not be obtained at the 2025 EGM, the Company may have to take the following actions:

- (i) inform the Financial Institutions that Shareholders' approval could not be obtained for the extension of the CVT Guarantees. Despite that, there are no reasonable grounds to believe that the Financial Institutions will release the CVT Guarantees; and given the Status Updates, the Company will still have to fulfil its corporate guarantee obligations under the CVT Guarantees in relation to the Total Indebtedness Amounts; and the existing obligations of the Company under the CVT Guarantees will continue to subsist in accordance with the existing terms of the CVT Guarantees;
- (ii) in the event that the Financial Institutions are being informed of the above non-approval, the Financial Institutions may take extreme measures, among others, (a) Cinda may initiate legal proceedings against Huili Caitong and/or the Company; (b) may cease the ongoing discussions for potential settlement options and/or debt restructuring plans; and (c) may initiate mandatory enforcement actions, such as the application for a court order or a winding-up petition against the Borrowers and potentially the Company (under the CVT Guarantees); and
- (iii) if such extreme actions are initiated by the Financial Institutions against the Borrowers and the Company, the Company will claim against Chengyu Vanadium for any loss sustained and sell the Pledged Assets under the 2025 Counter Indemnity for settlement of its payment obligations under the CVT Guarantees. To deal with the Financial Institutions in such an abrupt manner will mean major operational disruptions to both the Borrowers and the Company, which may lead to non-continuity of the Ongoing Discussions while the Borrowers are exploring potential settlement options and/or debt restructuring plans. Legal actions, if initiated in such an abrupt manner, may also affect the overall credit rating of the Company itself in relation to its own borrowings capability with other financial institutions. Given the existing business environment in the PRC, both the Borrowers and the Company reckons that it is of strategic importance to continue engaging the Financial Institutions in relation to the Ongoing Discussions; and remain hopeful that commercially viable repayment structures can be evaluated and agreed upon.

LETTER FROM THE BOARD

Credit risks expected in the event of enforcement of the CVT Guarantees

The Directors consider that the Group would not be subject to material credit risks in the event that the guarantee is enforced such that the Company is liable for repayment of the Total Indebtedness Amounts for the following reasons:

- (i) the Pledged Assets by Chengyu Vanadium in favour of the Company was approximately RMB1.008 billion as at 31 December 2024, pursuant to valuation reports issued by an independent valuer, which is (i) approximately 146.0% of the maximum guaranteed amount as at the Latest Practicable Date, (ii) approximately 198.9% of the principal amount of the Total Indebtedness Amounts of RMB506.6 million as at the Latest Practicable Date, owed by the Borrowers to the Financial Institutions, and are (iii) at least 1.25 times of maximum guaranteed amounts of the RMB792.0 million estimated under Scenario 2 Proposed Annual Cap for the year 2025. As a result, the Directors consider that the value of the Pledged Assets well exceeds and is sufficient to cover the liabilities of the Group in the event of enforcement of the CVT Guarantees by the Financial Institutions, and no additional asset is required to be pledged to the Company as of the Latest Practicable Date. As to be further discussed in the section headed “7. Internal control measures” below, the Group will engage an independent professional valuer to perform annual valuation of the inventories pledged to ascertain its value, and would request Chengyu Vanadium to pledge additional assets in the event that their value falls below 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, in accordance with the terms of the 2025 Counter Indemnity;
- (ii) Chengyu Vanadium has provided joint liability guarantee pursuant to the 2025 Counter Indemnity, which the Company will be able to enforce against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of enforcement of the CVT Guarantees by the Financial Institutions. Based on management accounts provided by Chengyu Vanadium for the financial year ended 31 December 2024, it has total assets of approximately RMB19.8 billion and net assets of approximately RMB2.1 billion, with a cash inflow from operating activities amounting to approximately RMB664.8 million. The net assets represents approximately (i) 414.5% of the principal amount of the Total Indebtedness Amount of approximately RMB506.6 million as at the Latest Practicable Date, owed by the Borrowers to the Financial Institutions; and (ii) 304.3% of the maximum guaranteed amount of approximately RMB690.0 million as at the Latest Practicable Date;

LETTER FROM THE BOARD

- (iii) the annual guarantee fees estimated under the proposed Annual Guarantee Fees Annual Caps payable by the Borrowers to the Company under the 2025 Master Guarantee Agreement allows the Group to receive additional income to cover part of its corporate overheads in administering the 2025 Master Guarantee Agreement; and
- (iv) the Company has obtained a confirmation from the auditor confirming that, after taking into account the Group's internal resources, cash flow from operations and also the effect of the proposed transactions as set out in this circular, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

8. Internal control measures

To safeguard the interests of the Independent Shareholders and to ensure that the proposed Revised Guarantee Annual Caps and the proposed Annual Guarantee Fees Annual Caps will not be exceeded, the Company has formulated and will continue to follow internal control measures relating to the transactions contemplated under the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity, which include the following:

- (i) the Borrowers will submit all the related loan details to the Company on a monthly basis and the Borrowers will have to follow up on the Status Updates; and the compliance department of the Company will report to the management of the Company in the event that there is any deviation from the basis as set out in the 2025 Master Guarantee Agreement, the management will then report to the Board;
- (ii) the Pledged Assets will be stored at a designated location agreed by the Company or its designated third party, and shall not be replaced by Chengyu Vanadium with other Pledged Assets of equal value as substitute without the Company's prior consent;

LETTER FROM THE BOARD

- (iii) the Company will engage an independent professional valuer to perform physical sighting and to ascertain the market value of the Pledged Assets under the 2025 Counter Indemnity at the end of each financial year and to ensure that such market value shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap. In addition, the Company will perform physical sighting on the Pledged Assets, and procure the independent professional valuer to update the valuation of the Pledged Assets on monthly basis. In the event that the value of the Pledged Assets is found to have fallen below 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, the Company will require Chengyu Vanadium to pledge further assets to the Company to meet the aforesaid requisite level of value;
- (iv) the independent non-executive Directors have reviewed and will continue to review the connected transaction agreements to ensure that such agreements, if applicable, are entered on normal commercial terms, fair and reasonable, and carried out pursuant to the terms thereof; and
- (v) the Company's external auditor has reviewed the CVT Guarantees on annual basis since 2019 and will continue to conduct an annual review of the transactions entered into under the 2025 Master Guarantee Agreement (including the annual guarantee fees) and to ensure that, among other, such connected transactions are entered into in accordance with the terms set out in the 2025 Master Guarantee Agreement.

In view of the above, the Directors (including the IBC whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from the IFA) consider that the terms of the 2025 Master Guarantee Agreement, are on normal commercial terms after arm's length negotiations between the parties and are normal commercial terms and are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

In continuously conducting the transaction under the CVT Guarantees after 31 December 2024, the Company shall continue to comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.59 of the Listing Rules.

LETTER FROM THE BOARD

Reference is also made to the Company's supplemental announcement dated 4 March 2025, in relation to the reasons for delay in entering into written agreement pursuant to Rule 14A.34 of the Listing Rules for the 2025 Master Guarantee Agreement. Given that the 2022 Master Guarantee Agreement expired on 31 December 2024, the Company has used its best endeavour to ensure the entry into the 2025 Master Guarantee Agreement, which was meant to renew the 2022 Master Guarantee Agreement, pursuant to Chapter 14A of the Listing Rules. Prior to announcing the entry into the 2025 Master Guarantee Agreement on 11 February 2025, the Company has, since March 2024, made several inside information announcements updating the status of the matters in a conscientious manner. All the relevant updates pertaining to the CVT Guarantees had been published by the Company on 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024, 23 December 2024, 11 February 2025, 4 March 2025 and 6 May 2025 (the "**Inside Information Announcements**").

As disclosed in the Inside Information Announcements, the Company had provided details in relation to the background of the continuity of the CVT Guarantees, the Status Updates, the Ongoing Discussions, the countermeasures and implications, as stemmed from the legal actions taken by the Financial Institutions against the Huili Caitong Parties in relation to the Indebtedness Claims under the CVT Guarantees. In response to the Status Updates and the Ongoing Discussions, as disclosed in the Inside Information Announcements, the Company has closely monitored the situation and communicated with the Huili Caitong Parties in a timely manner, which included assessing their financial positions, obtaining their written confirmations that they would continue to (i) fulfil their obligations under the CVT Guarantees; and (ii) facilitate the creation of additional charge of related assets in favour of the Company. Such written confirmation has further vindicated that the Company has been and will continue to be indemnified against any loss and costs that may be suffered from enforcement by any Financial Institution in relation to the CVT Guarantees, as provided for under the 2022 Counter Indemnity and the Company's entitlement of which will not be affected by the expiry of the Existing Guarantee Annual Caps on 31 December 2024.

Having considered the above, the Company had, on 6 December 2024, consulted with the Stock Exchange, among others, having (i) presented an overview of the Status Updates and (ii) considered the Ongoing Discussions. Following which, the Company was given to understand that it should renew the 2022 Master Guarantee Agreement by seeking approval of the Independent Shareholders in the 2025 EGM, as in consistent with the practice of the 2022 EGM.

LETTER FROM THE BOARD

Subsequently, the Company commenced the process in relation to the preparation for the renewal of the 2022 Master Guarantee Agreement, including (i) proactively negotiating with the Huili Caitong Parties for the revised terms of the 2025 Master Guarantee Agreement given the Status Updates and the uncertainty of the Ongoing Discussions; and (ii) preparing the circular containing, among others, the revised terms of the 2025 Master Guarantee Agreement and further details of the transactions (including the Revised Guarantee Annual Caps and the Annual Guarantee Fees Annual Caps). On 23 December 2024, the Company announced that the 2022 Master Guarantee Agreement would expire on 31 December 2024 and thus the Company would renew the 2022 Master Guarantee Agreement in the 2025 EGM, as in consistent with the practice of the 2022 EGM given that (i) the CVT Guarantees are continuing in nature and will only be released upon the full and final settlement are made and officially discharged by the respective Financial Institutions; and (ii) notwithstanding that there is uncertainty about the outcomes of the Ongoing Discussions under the Status Updates. However, the Company also disclosed that it is in the process of discussing and finalising the revised terms for the 2025 Master Guarantee Agreement with the Huli Caitong Parties, including the revised annual caps and annual guarantee fees for the three financial years ending 31 December 2027, having considered the Status Updates and Ongoing Discussions. Given (i) the prolonged Ongoing Discussions between the Huili Caitong Parties and the Financial Institutions to explore potential options for settlement and/or debt restructuring of the Indebtedness Claims following the legal actions taken against the Huili Caitong Parties; (ii) the complexity of the proposed transactions (including obtaining necessary legal advice and confirmation); (iii) the significant amount of time and effort for the parties to negotiate and nail down the commercial terms of the 2025 Master Guarantee Agreement due to (a) the higher maximum guaranteed amounts under the Scenario 2 Proposed Annual Cap; (b) the higher implied value for the Pledged Assets; and (c) the higher guarantees fees for the Renewal Period; and (iv) intervening public holidays in December 2024 and January 2025, the 2025 Master Guarantee Agreement was not signed until 11 February 2025 for the commercial reasons as explained above. As a result, the Company acknowledges that the 2025 Master Guarantee Agreement was not entered into on or before 31 December 2024 pursuant to Rule 14A.34 of the Listing Rules in relation to the continuing connected transactions. Notwithstanding the delay in the entry into the 2025 Master Guarantee Agreement, the Company had, once the material change to its terms had been agreed upon on 11 February 2025, announced such connected transaction pursuant to Rule 14A.35 of the Listing Rules in order to re-comply with the announcement and shareholders' approval requirements pursuant to Rule 14A.54(2) of the Listing Rules.

LETTER FROM THE BOARD

Remedial measures to prevent similar delay in the future

To prevent similar delay which could result in non-compliance in the future, the Company has, without further delay, taken the following remedial measures:

- The Company has formed a dedicated working group, consist of key management members who are responsible for compliance, finance and internal control matters of the Group led by Mr. Wang Hu, the Head of Legal and Compliance, and overseen by Mr. Hao Xiemin, the Chief Executive Officer (the “CEO”). Both the CEO and Head of Legal and Compliance will report to the Board. This dedicated working group will continue to communicate and liaise with the local legal counsel and the Huili Caitong Parties to ensure that any significant changes in commercial terms which may require amendments and/or re-entry into any form of written agreement (as the case may be) under the prevailing circumstances, should be put forward for discussions and consideration in a timely manner, given the complexity of the transactions, and in any event no later than six (6) months prior to expiry of the term of 2025 Master Guarantee Agreement to be entered into;
- The Board has further emphasised in an internal memorandum circulated to the working group and the relevant corporate departments of the Group that it should continue to assess the relevance and adequacy of the 2025 Master Guarantee Agreement given the Status Updates and the uncertainty of the Ongoing Discussions, and depending on the status of the Ongoing Discussions, should ensure that the necessary written agreements in relation to the continuing connected transactions be updated and executed in a timely manner according to the applicable Listing Rules in order to reflect the status of the Ongoing Discussions, being the critical factor for the entry into the 2025 Master Guarantee Agreement. Specifically, if required so, to re-enter into such written agreements in accordance with the requirements of the Listing Rules, including without limitation, re-complying with the announcement and shareholders’ approval requirements (as the case may be) before the expiry of the renewing annual caps for such continuing connected transactions or upon material change of the term of such continuing connected transaction; and

LETTER FROM THE BOARD

- The working group has been reminded, by the aforesaid internal memorandum and the “Internal Control Manual for Connected Guarantee”(關聯擔保內控流程) as updated by the Company on 21 February 2025 has been adopted to ensure that the evaluation and negotiations for the renewal of the 2025 Master Guarantee Agreement, if it remains applicable and relevant at time of such renewal, should commence at least six (6) months prior to its expiry date for the purpose of compliance with rule 14A.34 of the Listing Rules. The Board is of the view that the six-month timeframe is reasonable and realistic, based on the indicative timeline disclosed below, as well as the Company’s previous experience in dealing with the renewal process for the 2022 Master Guarantee Agreement and the 2025 Master Guarantee Agreement. That, it took approximately three months from the commencement of relevant discussions to conclusion of the relevant terms, including submission of the draft circular to the Stock Exchange for pre-vetting, leaving another buffer time of approximately three months for the Company to (i) obtain clearance from the Stock Exchange on the draft circular; and (ii) to arrange necessary logistics for convening the EGM, including the required 14-day notice period. Given the Company’s proactive approach in communicating with its counterparties and managing the renewal process, the Company has reasonable ground to believe that the renewal process can be completed within the said six-month timeframe.
- The aforesaid internal control manual contains the following specific timeframe and actions:

**Timeframe before
expiry**

Key milestone

around 6 months

Initiate renewal process and engage legal counsel, independent valuer, independent financial advisor, auditor, etc (the “**Professionals**”), to assess the necessity and relevance of renewing the 2025 Master Guarantee Agreement and the underlying agreements, which should outline the principal terms and conditions for the renewal, if applicable.

LETTER FROM THE BOARD

Timeframe before expiry	Key milestone
around 2 to 5 months	On conclusion of the principal terms and conditions for the renewal, appoint the Professionals to prepare the required agreements, resolutions, announcements, and circulars in accordance with regulatory requirements
around 2 to 3 months	Present the aforesaid draft agreement and documents (including announcement draft) to the Board for review and discussion, including evaluation of potential risks and related commercial factors
around 1 month	Publish announcements upon entering into the agreements for renewal; distribute circular and notice of the EGM to shareholders for EGM to be convened

The Company has implemented the above remedial measures. The Board considers that the internal control system maintained by the Company, as strengthened by the remedial measures are adequate and effective for the compliance with the requirements under Rule 14A.34 of the Listing Rules, particularly for entry into necessary written agreements as required under the Listing Rules.

LETTER FROM THE BOARD

9. Information of the parties

The Group

The Group is principally engaged in mining and ore processing, sale of self-produced high-grade iron concentrates, trading of steels, mining facilities management and management of strategic investments.

Chengyu Vanadium

Chengyu Vanadium is a company established in the PRC which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; (ii) 22.9% owned by 14 individuals; and (iii) 9.5% owned by one workers' union. As at the date of the Latest Practicable Date, save for the Relevant CVT Substantial Shareholders, none of the individuals and/or of the union, individually or together, effectively owns more than 10% of the equity interest in Chengyu Vanadium, and they are all independent third parties. As the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium, Chengyu Vanadium is a connected person for the purposes of the transactions contemplated under the 2025 Master Guarantee Agreement. Chengyu Vanadium is principally engaged in the manufacturing, processing and sale of structural steels and other self-produced products such as vanadium pentoxide.

The Borrowers:

Huili Caitong

Huili Caitong is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the Latest Practicable Date, Huili Caitong is wholly owned by Chengyu Vanadium, which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; and (ii) 32.5% owned by 14 individuals and one union. As at the Latest Practicable Date, none of such 14 individuals and/or union effectively owns more than 30% of the equity interests in Chengyu Vanadium and thus, they are all independent third parties. Huili Caitong was formerly an indirect wholly-owned subsidiary of the Company before the completion of the Disposal on 30 July 2019.

LETTER FROM THE BOARD

Xiushuihe Mining

Xiushuihe Mining is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the Latest Practicable Date, Xiushuihe Mining is 95% and 5% owned by Huili Caitong and Xichang Vanadium and Titanium Products Co., Ltd* (西昌钒钛製品有限公司), respectively; and the latter is ultimately controlled by the Relevant CVT Substantial Shareholders. It was formerly an indirect subsidiary of the Company which was held as to 95.0% by Huili Caitong (a then indirect wholly-owned subsidiary of the Company before the completion of the Disposal on 30 July 2019).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Financial Institutions and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

10. Implications of the Listing Rules

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum amount of the CVT Guarantees under the 2025 Master Guarantee Agreement exceeds 25%, the 2025 Master Guarantee Agreement and the transactions contemplated thereunder (including but not limited to the receipt of guarantee management income) constitute a major transaction, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. (Note: the transactions contemplated herein is not an acquisition by the Company).

In addition to the above, as at the Latest Practicable Date, the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium. Xiushuihe Mining is owned as to 95% by Huili Caitong, which in turn is directly wholly owned by Chengyu Vanadium. Therefore, each of Chengyu Vanadium and the Borrowers is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the 2025 Master Guarantee Agreement also constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

For the annual guarantee fees, as one or more of the applicable percentage ratios (as defined under the Listing Rules) exceeds 5% but all of them are less than 25%, the annual guarantee fees constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in respect of the annual guarantee fees exceeds 5%, the annual guarantee fees are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, an ordinary resolution has also been added for the Independent Shareholders to consider and approve the annual guarantee fees at the 2025 EGM for the sake of clarity and transparency despite the fact that the annual guarantee fees are contemplated as part of the 2025 Master Guarantee Agreement.

None of the Directors has a material interest in the transactions contemplated under the 2025 Master Guarantee Agreement, and therefore no Director is required to abstain from voting on the resolutions regarding such transactions at the board meeting.

The IBC (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders on the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder. Goldlink Capital (Corporate Finance) Limited has been appointed as the IFA to advise the IBC and the Independent Shareholders in this regard.

III. EGM

The Company will convene the EGM at City Tower, No. 86 Section 1, Renmin South Road, Qingyang District, Chengdu, the People's Republic of China, at 12.00 p.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10:30 a.m. on the same day) on Monday, 26 May 2025 for the Independent Shareholders to consider and, if thought fit, approve the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. The above documents and the proxy of form for use at the EGM are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.chinavtmmining.com>).

LETTER FROM THE BOARD

Under the Listing Rules, all Shareholders who have a material interest in any of the transactions contemplated under the 2025 Master Guarantee Agreement, together with their close associates, will be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM. As at the Latest Practicable Date, the Relevant CVT Substantial Shareholders are substantial Shareholders, holding 1,006,754,000 Shares (representing approximately 44.76% of the issued Shares) through Trisonic International. As a result, the Relevant CVT Substantial Shareholders and Trisonic International are connected persons of the Company. Accordingly, each of the Relevant CVT Substantial Shareholders, Trisonic International and their respective close associates (together holding 1,006,754,000 Shares (representing approximately 44.76% of the issued Shares) are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment meeting thereof.

IV. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement for attending and voting at the EGM, the register of members of the Company will be closed from Wednesday, 21 May 2025 to Monday, 26 May 2025 (both days inclusive), during which period no transfer of Shares will be registered.

In order to determine the entitlement to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 May 2025.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions set out in the notice of the EGM will be taken by poll. The poll results will be announced by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

VI. RECOMMENDATION

The Directors consider that the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions as set out in the notice of the EGM.

Your attention is also drawn to the letter from the IBC as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of, the IFA as set out in its letter of advice, the IBC considers that the terms and conditions of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder are fair and reasonable. The IBC also considers that the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the IBC has recommended the Independent Shareholders to vote in favour of the ordinary resolutions to approve the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder at the EGM.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



China Vanadium Titano-Magnetite Mining Company Limited
中國鈮鈦磁鐵礦業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00893)

9 May 2025

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION AND
RENEWAL OF MASTER GUARANTEE AGREEMENT**

We refer to the circular issued by the Company to the Shareholders and dated 9 May 2025 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum amount of the CVT Guarantees under the 2025 Master Guarantee Agreement exceed 25%, the 2025 Master Guarantee Agreement and the transactions contemplated thereunder constitute a major transaction, which is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. In addition to the above, as at the Latest Practicable Date, the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium. Xiushuihe Mining is owned as to 95% by Huili Caitong, which in turn is directly wholly owned by Chengyu Vanadium. Therefore, each of Chengyu Vanadium and the Borrowers is a connected person of the Company under Chapter 14A of the Listing Rules. In addition, the CVT Guarantees are continuing in nature and will only be released upon the full and final settlement are made and officially discharged by the respective Financial Institutions. As such, the transactions contemplated under the 2025 Master Guarantee Agreement (including the annual guarantee fees) also constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board to consider the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder are fair and reasonable and whether the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole. Goldlink Capital (Corporate Finance) Limited has been appointed as the IFA to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from the IFA as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the IFA as set out in its letter of advice, we are of the view that although the entering into of the 2025 Master Guarantee Agreement is not in the ordinary and usual course of business of the Group, it is in the interests on the Company and the Shareholders as a whole, and the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the 2025 EGM to approve the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder at the 2025 EGM.

For and on behalf of
Independent Board Committee

Yu Haizong

Liu Yi

Wu Wen

Tang Guoqiong

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Goldlink Capital (Corporate Finance) Limited to the Independent Board Committee and the Independent Shareholders with regard to the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



28/F

Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

9 May 2025

*To: The Independent Board Committee and the Independent Shareholders of
China Vanadium Titano-Magnetite Mining Company Limited*

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION AND RENEWAL OF MASTER GUARANTEE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the IBC and the Independent Shareholders with regard to the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 9 May 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

References are made to the circulars of the Company dated 10 June 2019 and 8 June 2022, and the announcements of the Company dated 30 July 2019, 16 May 2022, 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024, 23 December 2024, 11 February 2025, 4 March 2025 and 6 May 2025 in relation to the CVT Guarantees. Huili Caitong, the Company's former wholly-owned subsidiary, and Xiushuihe Mining, another former indirect subsidiary of the Company and a subsidiary of Huili Caitong, previously secured loan facilities from the Financial Institutions, in 2010, 2013 and 2014, and on which the Company has provided the CVT Guarantees in favour to each of the Financial Institutions with maximum guaranteed amounts of RMB730.0 million. Following the Disposal, the Company and Chengyu Vanadium entered into the 2019 Counter Indemnity for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company's contingent liabilities and potential claims under the CVT Guarantees. The 2019 Counter Indemnity remains effective until the date of actual release of the CVT Guarantees. Given that the CVT Guarantees are continuing in nature and will only be released by the Financial Institutions upon the full and final settlements are made, the Company had, on 16 May 2022, extended the CVT Guarantees by entering into the 2022 Master Guarantee Agreement and the 2022 Counter Indemnity with Chengyu Vanadium, which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees.

As disclosed in the Company's announcements dated 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024 and 23 December 2024, (i) CCB and ICBC had each taken legal actions against Huili Caitong and Xiushuihe Mining, respectively, in relation to the CCB-Caitong Indebtedness Amount, the ICBC-Caitong Indebtedness Amount and the ICBC-Xiushuihe Indebtedness Amount; and (ii) Cinda had issued a legal demand letter to Huili Caitong in relation to the Cinda-Caitong Indebtedness Amount, on which the Company had previously provided corporate guarantees prior to the Disposal. Under the CVT Guarantees, the Company shall fulfil its corporate guarantee obligations in relation to the Total Indebtedness Amounts.

As at the Latest Practicable Date, the maximum guaranteed amounts provided by the Company under the CVT Guarantees as at 31 December 2024 were RMB690.0 million, which are also the Scenario 1 Proposed Annual Cap. However, as stated in the Status Updates, the Huili Caitong Parties are still in discussions with the Financial Institutions as at the Latest Practicable Date, exploring potential options for settlement and/or debt restructuring (the "**Ongoing Discussions**"); and the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under such circumstances, assuming that there are no settlements, repayments and/or reductions in the principal amount of the Total Indebtedness Amounts, which may or may not occur during the Renewal Period as may arise from the Ongoing Discussions, the total maximum guaranteed amounts comprising (i) the principal amount of the Total Indebtedness Amounts; and (ii) the accumulated interests, penalties and other incidental expenses (the “**Scenario 2 Estimated Incidental Costs and Expenses**”), are estimated to be approximately RMB930.0 million by 31 December 2027, which are also the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap.

Given the above, on 11 February 2025, notwithstanding the maximum guaranteed amounts under the CVT Guarantees were RMB690.0 million as at 31 December 2024, the Company has entered into the 2025 Master Guarantee Agreement with the Borrowers and Chengyu Vanadium, pursuant to which the Company will continue to provide the CVT Guarantees based on the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap as illustrated and explained above, while Chengyu Vanadium will continue to provide the counter-indemnity in favour of the Company and the Borrowers will continue to pay annual guarantee fees to the Company, for a term of three years ending on 31 December 2027.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum amount of the CVT Guarantees under the 2025 Master Guarantee Agreement exceed 25%, the 2025 Master Guarantee Agreement and the transactions contemplated thereunder (including but not limited to the receipt of guarantee management income) constitute a major transaction, which is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. (Note: the transactions contemplated herein are not an acquisition by the Company).

As at the Latest Practicable Date, the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium. Xiushuihe Mining is owned as to 95% by Huili Caitong, which in turn is directly wholly owned by Chengyu Vanadium. Therefore, each of Chengyu Vanadium and the Borrowers is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the 2025 Master Guarantee Agreement also constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

For the annual guarantee fees, as one or more of the applicable percentage ratios (as defined under the Listing Rules) exceeds 5% but all of them are less than 25%, the annual guarantee fees constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in respect of the annual guarantee fees exceeds 5%, the annual guarantee fees are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Hence, an ordinary resolution has also been added for the Independent Shareholders to consider and approve the annual guarantee fees at the 2025 EGM for the sake of clarity and transparency despite the fact that the annual guarantee fees are contemplated as part of the 2025 Master Guarantee Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

None of the Directors has a material interest in the transactions contemplated under the 2025 Master Guarantee Agreement, and therefore no Director is required to abstain from voting on the resolution regarding such transactions at the board meeting. The IBC (comprising all independent non-executive Directors namely, Mr. Yu Haizong, Mr. Liu Yi, Mr. Wu Wen and Mdm. Tang Guoqiong) has been established to advise the Independent Shareholders on the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the independent financial adviser to advise the IBC and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the IFA, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives and substantial shareholders of the Company or any of their associates. We therefore are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder, in accordance with the Listing Rules.

This letter is issued for the information of the IBC and the Independent Shareholders solely in connection with their consideration of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder in accordance with the Listing Rules. Except for its inclusion in the Circular, this letter 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND INFORMATION OF THE GROUP

1.1 Background of the Group

The Group is principally engaged in mining and ore processing, sale of self-produced high-grade iron concentrates, trading of coals and steels, mining facilities management and management of strategic investments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2022 (“FY2022”), 31 December 2023 (“FY2023”) and 31 December 2024 (“FY2024”), which are extracted from the Company’s annual report for the year ended 31 December 2024 (“2024 Annual Report”) and the Company’s annual report for the year ended 31 December 2023 (“2023 Annual Report”), respectively.

	Year ended 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	542,490	784,951	725,869
Gross profit	14,203	36,534	25,278
(Loss)/Profit for the year	(20,089)	9,080	1,038

For the year ended 31 December 2024

According to the 2024 Annual Report, revenue of the Group for FY2024 was approximately RMB542.5 million, representing a decrease of approximately 30.9% as compared to approximately RMB785.0 million for FY2023. Such decrease was mainly attributable to (i) the decrease in the production and sales volume of high-grade iron concentrates of approximately 44.9% and 48.3%, respectively; and (ii) the decrease in the steels trading volume of approximately 23.5% to approximately 148.9Kt in FY2024, with a decrease in average selling price of approximately 8.5%. The Group recorded a decrease in gross profit of approximately 61.1% from approximately RMB36.5 million for FY2023 to approximately RMB14.2 million for the FY2024, primarily due to the temporary suspension of operations at the Maoling-Yanglongshan Mine from July to November 2024 due to an incident involving a subcontractor (the “**Temporary Suspension**”), leading to a reduction in production volume and resulting in higher unit production costs, non-recurring production stoppage losses and lower economies of scale. Furthermore, following a reassessment of the production capacity and operational plans of the Maoling-Yanglongshan Mine after the Temporary Suspension, the Group recognised non-cash accounting impairment losses, including write-down of inventories totaling RMB13.8 million in accordance with applicable accounting standards.

As a result, the Group recorded a net loss attributable to owners of the Company of approximately RMB20.7 million for the FY2024 as compared to a net profit of approximately RMB9.7 million for FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2023

According to the 2023 Annual Report, the revenue of the Group for FY2023 was approximately RMB785.0 million, representing an increase of approximately 8.1% as compared to approximately RMB725.9 million for FY2022. Such increase was mainly attributable to the combined effect of (i) the increase in production volume of high-grade iron concentrates by approximately 55.3%; (ii) the increase in average selling price of high-grade iron concentrates by approximately 1.6%; and (iii) the increase in steels trading volume by approximately 8.5% to approximately 194.7Kt in the FY2023, despite a decrease in average selling price by approximately 7.0% due to weak market sentiment. Along with the increase in revenue, the Group recorded a higher gross profit of approximately RMB36.5 million for FY2023 as compared to approximately RMB25.3 million for FY2022.

During FY2023, the Group managed to restore its high-grade iron concentrates output that were comparable to pre-COVID levels, overcoming production constraints from the pandemic and the disruption of mine operations caused by mudslides and flash floods in Aba Prefecture, Sichuan Province in June 2023 despite persisting market price fluctuations amid challenging operational conditions. In addition, the full-year revenue contribution from the facility management segment, including higher revenues from expansion of its services scopes, had helped to diversify the Group's revenue stream. As a result, the Group's overall profitability improved, recording a net profit of approximately RMB9.1 million for FY2023, representing a significant increase of approximately 774.8% as compared to approximately RMB1.0 million for FY2022.

1.3 Financial position of the Group

	As at 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Non-current assets	1,063,267	1,062,481	961,450
Current assets	219,042	244,853	237,140
Current liabilities	216,779	241,632	231,931
Non-current liabilities	145,322	125,400	35,453
Equity attributable to owners of the Company	625,621	646,288	636,575

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2023, the total assets of the Group amounted to approximately RMB1.31 billion, representing an increase of approximately 9.2% from approximately RMB1.20 billion as at 31 December 2022. Such increase was mainly due to (i) the increase in prepayments, other receivables and other assets of approximately RMB90.1 million; (ii) the increase in property, plant and equipment as a result of the additions of property, plant and equipment for the year of approximately RMB36.3 million; and (iii) the increase in intangible assets due to amount paid and payable to the government associated with the resource integration process of the combined Maoling-Yanglongshan Mine for the year of approximately RMB90.5 million. As at 31 December 2024, total assets of the Group remained relatively stable at approximately RMB1.28 billion.

As at 31 December 2023, total liabilities of the Group amounted to RMB367.0 million, representing an increase of approximately 37.2% as compared to approximately RMB267.4 million as at 31 December 2022. The increase in total liabilities was mainly due to (i) the increase in trade payables of approximately RMB36.0 million which was in line with the increase of cost of sales; and (ii) the increase in contract liabilities as a result of the increase in advances received from customers in relation to the sale of self-produced high-grade iron concentrate at the end of the FY2023. As at 31 December 2024, total liabilities of the Group decreased slightly to approximately RMB362.1 million, which was mainly due to the combined effect of (i) the decrease in current liabilities of approximately RMB24.9 million; and (ii) the increase in non-current liabilities of approximately RMB19.9 million.

As a result of the foregoing, the total equity attributable to the owners of the Company as at 31 December 2022, 31 December 2023 and 31 December 2024 amounted to approximately RMB636.6 million, RMB646.3 million and RMB625.6 million, respectively.

1.4 Background information of Chengyu Vanadium

Chengyu Vanadium is a company established in the PRC which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; (ii) 22.9% owned by 14 individuals; and (iii) 9.5% owned by one workers' union. As at the date of the Latest Practicable Date, save for the Relevant CVT Substantial Shareholders, none of the individuals and/or of the union, individually or together, effectively owns more than 10% of the equity interest in Chengyu Vanadium, and they are all independent third parties. As the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium, Chengyu Vanadium is a connected person for the purposes of the transactions contemplated under the 2025 Master Guarantee Agreement. Chengyu Vanadium is principally engaged in the manufacturing, processing and sale of structural steels and other self-produced products such as vanadium pentoxide.

1.5 Background information of the Borrowers

Huili Caitong

Huili Caitong is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the Latest Practicable Date, Huili Caitong is wholly owned by Chengyu Vanadium, which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; and (ii) 32.5% owned by 14 individuals and one union. As at the Latest Practicable Date, none of such 14 individuals and/or union effectively owns more than 30% of the equity interests in Chengyu Vanadium and thus, they are all independent third parties. Huili Caitong was formerly an indirect wholly-owned subsidiary of the Company before the completion of the Disposal on 30 July 2019.

Xiushuihe Mining

Xiushuihe Mining is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the Latest Practicable Date, Xiushuihe Mining is 95% and 5% owned by Huili Caitong and Xichang Vanadium and Titanium Products Co., Ltd* (西昌钒钛製品有限公司), respectively; and the latter is ultimately controlled by the Relevant CVT Substantial Shareholders. It was formerly an indirect subsidiary of the Company which was held as to 95.0% by Huili Caitong (a then indirect wholly-owned subsidiary of the Company before the completion of the Disposal on 30 July 2019).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Financial Institutions and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

2. THE 2025 MASTER GUARANTEE AGREEMENT

2.1 Background of the 2025 Master Guarantee Agreement

Huili Caitong, the Company's former wholly-owned subsidiary, and Xiushuihe Mining, another former indirect subsidiary of the Company and a subsidiary of Huili Caitong, previously secured loan facilities from the Financial Institutions on which the Company has provided the CVT Guarantees in favour to each of the Financial Institutions with maximum guaranteed amounts of RMB730.0 million. Following the Disposal, the Company and Chengyu Vanadium entered into the 2019 Counter Indemnity for the provision of counter-indemnity by Chengyu Vanadium in favour of the Company in respect of the Company's contingent liabilities and potential claims under the CVT Guarantees. The 2019 Counter Indemnity remains effective until the date of actual release of the CVT Guarantees. Given that the CVT Guarantees are continuing in nature and will only be released by the Financial Institutions upon the full and final settlement are made, the Company had, on 16 May 2022, extended the CVT Guarantees by entering into the 2022 Master Guarantee Agreement and the 2022 Counter Indemnity with Chengyu Vanadium, which allowed the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees.

According to the Company's announcements dated 28 March 2024, 19 June 2024, 19 August 2024, 21 August 2024, 15 November 2024 and 23 December 2024, (i) CCB and ICBC had each taken legal actions against Huili Caitong and Xiushuihe Mining, respectively, in relation to the CCB-Caitong Indebtedness Amount, the ICBC-Caitong Indebtedness Amount and the ICBC-Xiushuihe Indebtedness Amount; and (ii) Cinda had issued a legal demand letter to Huili Caitong in relation to the Cinda-Caitong Indebtedness Amount, on which the Company had previously provided corporate guarantees prior to the Disposal, details of which have been disclosed in the Circulars. Under the CVT Guarantees, the Company shall fulfil its corporate guarantee obligations in relation to the Total Indebtedness Amounts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A summary of the Indebtedness Claims as at the Latest Practicable Date is as follows:

No.	Borrowers	Financial Institutions	Year of inception of the loan	Principal amount involved in the Indebtedness Claims (RMB'000)	Status as at the Latest Practicable Date (the "Status Updates")
1	Huili Caitong	Cinda ¹	2014	140,975	Huili Caitong had received a legal demand letter from Cinda and has since initiated discussions with Cinda to explore potential settlement options and/or debt restructuring arrangements, as previously announced on 15 November 2024.
2	Huili Caitong	ICBC	2013	69,715	Separate litigations have been commenced against Huili Caitong and Xiushuihe Mining and the Huili Caitong Parties are in discussions with ICBC to explore potential options for settlement and/or debt restructuring, as previously announced on 19 August 2024 and 21 August 2024.
3	Xiushuihe Mining	ICBC	2013	19,000	
4	Huili Caitong	CCB	2010	276,929	Huili Caitong has received Judgements, and the Judgements also set out that the Company is required to fulfil its corporate guarantee obligations under the CVT Guarantees. The Huili Caitong Parties are in discussion with CCB to explore potential options for settlement and/or debt restructuring, as previously announced on 29 March 2024 and 19 June 2024.
				<u>506,619</u>	

¹ As disclosed in the Company's circular dated 8 June 2022, the Company was informed of the assignment by CMB of all its rights in the credit agreement and the guarantee in favour of Cinda.

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As at the Latest Practicable Date, the maximum guaranteed amounts provided by the Company under the CVT Guarantees as at 31 December 2024 were RMB690.0 million, which are also the Scenario 1 Proposed Annual Cap. However, as stated in the Status Updates, the Huili Caitong Parties are still in discussions with the Financial Institutions as at the Latest Practicable Date, exploring potential options for settlement and/or debt restructuring (the “**Ongoing Discussions**”); and the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM.

Under such circumstances, assuming that there are no settlements, repayments and/or reductions in the principal amount of the Total Indebtedness Amounts, which may or may not occur during the Renewal Period as may arise from the Ongoing Discussions, the total maximum guaranteed amounts comprising (i) the principal amount of the Total Indebtedness Amounts; and (ii) the Scenario 2 Estimated Incidental Costs and Expenses, are estimated to be approximately RMB930.0 million by 31 December 2027, which is also the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap.

The details of the Scenario 2 Proposed Annual Cap, which takes into consideration the Scenario 2 Estimated Incidental Costs and Expenses are set out as follows:

Financial year	Scenario 2 Proposed Annual Cap (RMB'000)
FY2025	792,000
FY2026	859,000
FY2027	930,000

On 11 February 2025, notwithstanding the maximum guaranteed amounts under the CVT Guarantees were RMB690.0 million as at 31 December 2024, the Company, the Borrowers and Chengyu Vanadium have entered into the 2025 Master Guarantee Agreement, pursuant to which (i) the Company will continue to provide the CVT Guarantees based on the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap as illustrated and explained above; (ii) Chengyu Vanadium will continue to provide the counter-indemnity in favour of the Company; and (iii) the Borrowers will continue to pay annual guarantee fees to the Company, for a term of three years ending on 31 December 2027.

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2.2 Reasons for and benefits of the entering into the 2025 Master Guarantee Agreement

In order to assess whether the entering into the 2025 Master Guarantee Agreement is in ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have discussed with the management of the Company and considered the followings:

- (i) the Company will have to fulfil its corporate guarantee obligations under the CVT Guarantees in relation to the Total Indebtedness Amounts*

As set out in the paragraph headed “2.1 Background of the 2025 Master Guarantee Agreement” above, the CVT Guarantees are continuing in nature and will only be released by the Financial Institutions upon full and final settlements are made. The extension of CVT Guarantees by entering into the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity with Chengyu Vanadium, would allow the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees under the 2025 Master Guarantee Agreement and to continue pledging Chengyu Vanadium’s Pledged Assets as security for such counter-indemnity.

Based on our discussion with the management of the Company and pursuant to the terms of the 2025 Master Guarantee Agreement, we are given to understand that the transactions contemplated under the 2025 Master Guarantee Agreement will only cover the Total Indebtedness Amounts and hence no guarantees will be provided in favour of the Borrowers by the Group in addition to the CVT Guarantees under the 2025 Master Guarantee Agreement that the pertinent terms and conditions in relation to the credit exposure under the existing CVT Guarantees shall remain unchanged and remain effective until the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions. As such, the management of the Company considers that the entering into the 2025 Master Guarantee Agreement aims to facilitate administration and execution with reference to the continuation of the CVT Guarantees, which allow the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees under the 2025 Master Guarantee Agreement and to continue pledging Chengyu Vanadium’s Pledged Assets as security for such counter-indemnity.

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(ii) *the 2025 Master Guarantee Agreement continue to safeguard the interests of the Company and the Shareholders*

As advised by the management of the Company, given that the CVT Guarantees will only be released until the full and final settlement are made and officially discharged by the respective Financial Institutions, it is the Company's intention, when negotiating the terms of the 2025 Master Guarantee Agreement, to extend the CVT Guarantees, to request from the Borrowers to continue to pay the annual guarantee fees to the Company, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap. The annual guarantee fees shall start to accrue from 1 January 2025 and the Borrowers shall pay such annual guarantee fees within 30 days after end of each calendar quarter, subject to compliance with applicable laws, regulations, and the Listing Rules. The annual guarantee fees are to be paid to the Company as additional income in order to cover part of its corporate overheads in administering the 2025 Master Guarantee Agreement as an independent third-party guarantor with an aim to further safeguard the interests of the Company and the Shareholders as a whole.

Set out the table below summarise the existing arrangement under the CVT Guarantees and the key terms of the 2025 Master Guarantee Agreement:

	Existing arrangement under the CVT Guarantees	The 2025 Master Guarantee Agreement
Maximum contingent liabilities and potential claims under the CVT Guarantees	RMB730.0 million	RMB930.0 million
Guarantee fee	1.25% per annum on the maximum guaranteed amounts	1.25% per annum on the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap

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	Existing arrangement under the CVT Guarantees	The 2025 Master Guarantee Agreement
Pledges under the respective counter indemnity	Structural steel and iron ore with market value sufficiently cover the maximum guaranteed amounts, with the market value of not less than 1.25 times of the maximum guaranteed amounts	Industrial materials, machinery and equipment with market value sufficiently cover the maximum guaranteed amounts, with the market value of not less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap

Based on the table above, we note that under the 2025 Master Guarantee Agreement, (i) the pertinent terms and conditions in relation to the credit exposure under the existing CVT Guarantees shall remain unchanged and remain effective until the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions; (ii) the Group will continue to receive the annual guarantee fees as additional income from the Borrowers to cover part of its corporate overheads in administering the 2025 Master Guarantee Agreement (the fairness and reasonableness of which are discussed in the paragraph headed “2.4 Fairness and reasonableness on the terms of the 2025 Master Guarantee Agreement” below); and (iii) the Borrowers will continue to pledge its inventories (mainly comprising industrial materials) and any other assets (mainly comprising machinery and equipment) as approved by the Company (the “**Pledged Assets**”) as security with the market value of such Pledged Assets not less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027.

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After taking into consideration that (i) the Financial Institutions are only willing to release the CVT Guarantees in the event that the total amounts owing by the Borrowers to the Financial Institutions are fully repaid; and (ii) the entering into the 2025 Master Guarantee Agreement is to facilitate administration and execution with reference to the continuation of the CVT Guarantees, and allow the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the provision of CVT Guarantees under the 2025 Master Guarantee Agreement and to continue pledging Chengyu Vanadium's Pledged Assets as security for such counter-indemnity, we concur with the Directors' view that although the entering into of the 2025 Master Guarantee Agreement is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

2.3 Major terms of the 2025 Master Guarantee Agreement

Set out below are the major terms of the 2025 Master Guarantee Agreement. For details, please refer to the Letter from the Board.

Date : 11 February 2025 (after trading hours)

Parties : (i) the Company;
(ii) Huili Caitong;
(iii) Xiushuihe Mining; and
(iv) Chengyu Vanadium

Period : Commencing from the Effective Date to 31 December 2027

Major Terms

1. The Company shall continue to provide the CVT Guarantees in favour of the Financial Institutions for a term commencing from the Effective Date to 31 December 2027 (the "**Renewal Period**"), subject to the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap of not more than RMB930.0 million.

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2. The CVT Guarantees shall continue to be provided under the 2025 Master Guarantee Agreement and shall cover:
 - (a) the Total Indebtedness Amounts owing by the Borrowers to the Financial Institutions under the CVT Guarantees;
 - (b) any loans approved by the Financial Institutions resulting from rollover, extension, refinancing, or restructuring of the indebtedness set out in (a) above from time to time; and
 - (c) costs of enforcing the indebtedness set out in (a) above against the Borrowers incurred by the Financial Institutions, including the estimated amounts under the Scenario 2 Estimated Incidental Costs and Expenses.

3. During the term of extension of the CVT Guarantees, the Borrowers shall:
 - (a) continue to pay the annual guarantee fees to the Company, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, in accordance with the terms of the 2025 Master Guarantee Agreement. The annual guarantee fees shall start to accrue from 1 January 2025 and the Borrowers shall pay such annual guarantee fees within 30 days after the end of each calendar quarter, subject to compliance with applicable laws, regulations, and the Listing Rules.

The rate of the annual guarantee fees has been determined based on arm's length negotiations between the Company and the Borrowers having considered (i) the market rates generally payable for the provision of corporate guarantees by publicly listed companies in Hong Kong; (ii) the quantum of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap; and (iii) the basis of which the annual guarantee fees for the past three years ended 31 December 2024 had been determined; and

- (b) continue to fulfil their obligations under the 2025 Master Guarantee Agreement until the obligations of the Company under the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions or until the Borrowers and the Company reach a new replacement agreement in writing.

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4. During the term of extension of the CVT Guarantees, Chengyu Vanadium shall:
- (a) continue to pledge its inventories (mainly comprising industrial materials), and any other assets (mainly comprising machinery and equipment) as approved by the Company (the “**Pledged Assets**”) as security for such counter-indemnity. The market value of such Pledged Assets shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027;
 - (b) continue to provide a several and joint liability guarantee which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the CVT Guarantees; and
 - (c) continue to fulfil its obligations under the 2025 Master Guarantee Agreement and 2025 Counter Indemnity until the Company’s obligations under the CVT Guarantees are fully released or officially discharged by the respective Financial Institutions or until the Borrowers and the Company reach a new replacement agreement in writing.

In this connection, Chengyu Vanadium has entered into the 2025 Counter Indemnity to cover the Company’s contingent liabilities and potential claims under the 2025 Master Guarantee Agreement and to continue to pledge Chengyu Vanadium’s Pledged Assets as security for such counter-indemnity. The 2025 Counter Indemnity shall take effect from the Effective Date.

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Valuation Methodologies and Principal Assumptions of Pledged Assets

The Pledged Assets mainly comprise inventories and machineries and equipment (the “M&E”). In particular:

(i) Inventories

The inventories comprise more than 40 types of industrial materials, which include vanadium titanium concentrate, laterite nickel ore, Brazilian coarse powder, mika powder, etc., as well as sulfur coking coals, secondary metallurgical coke, blast furnace anthracite, among others. Notably, the independent valuer adopted the market approach, assessing value by comparing recent transaction prices of identical or similar inventories in the market excluding relevant disposal taxes and fees. Independent valuer is also of the view that the cost and income approaches were deemed unsuitable as they do not accurately reflect inventories value and the inventories do not generate independent future income.

The formula of the market approach: appraised value = (Quantity of raw materials × Market price of raw materials excluding tax) - Related disposal taxes and fees

(ii) M&E

The M&E comprise over 1,100 items, including boilers, steam turbines, drum mixers, stone and ore crushers, magnetic separators, vehicles among others. Independent valuer has adopted cost and market approaches which generally based on the market price or replacement cost of a comparable M&E and adjusted for allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilisation.

The formula for the cost approach: appraised value = full replacement price × newness rate

(a) Full replacement price

Where full replacement price = purchase price of equipment + transportation and incidental cost + equipment foundation cost + installation cost + other costs + capital cost – deductible input VAT.

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Purchase price: for equipment that is still in circulation on the market is determined directly by its prevailing market price, or by referring to the contract prices of similar equipment around the same date. For smaller equipment, the acquisition price is mainly determined by referencing market quotations.

For equipment where current prices cannot be obtained, if comparable assets are available, the cost approach is used by adjusting the price of similar equipment to determine the acquisition cost (updated replacement cost). If both the current price of the equipment and comparables cannot be sourced, the price index approach (restored replacement cost) is applied. This involves using the original purchase price of the equipment and adjusting it based on the price inflation index for similar assets to determine the acquisition cost.

Transportation and incidental cost: refer to the costs incurred during the transportation of equipment, including shipping fees, loading and unloading charges, and other related miscellaneous expenses. The transportation and incidental charges rate is determined based on the region and the distance from the nearest station or dock, and is calculated according to the rates specified in the relevant industry guidelines. The calculation formula is as follows:

Transportation and incidental charges = Equipment purchase price × Transportation and incidental charge rate

Installation and testing cost: the equipment installation fee rate is calculated based on the rates specified in the relevant industry estimation guidelines. The calculation formula is as follows:

Equipment installation fee = Equipment purchase cost × Equipment installation fee rate

Equipment foundation cost: is determined based on the rates specified in the relevant industry estimation guidelines. The calculation formula is as follows:

Equipment foundation cost = Equipment purchase cost × Equipment foundation fee rate

Other costs: calculated based on the investment amount of the project owner, in accordance with the fee standards set by industry, national, or local government regulations.

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Capital costs: calculated based on the reasonable construction period of the project held by the property owner. The calculation is referenced from the benchmark interest rate for RMB loans published by the People's Bank of China on the valuation reference date. The total costs, including the equipment purchase price, transportation and incidental charges, installation fees, other costs, are used as the base, with capital costs applied based on the assumption of uniform capital input.

Deductible input VAT: related costs x VAT rate/(1 + VAT rate), where the applicable rates are (i) equipment purchase: 13%; (ii) transportation, installation cost and foundation fees: 9%; and (iii) other charges which is non-administrative and non-public service: 6%.

(b) Newness rate

The newness rate is determined by adopting the weighted average method and the formula is: newness rate ("N") = theoretical newness rate ("N1") × 40% + on-site surveyed newness rate ("N2") × 60%, where:

Theoretical newness rate: obtained the relevant information to determine the used life, the economic useful life and the remaining useful life exceeding the economic useful life of the machinery and equipment with following formula:

For equipment within its economic useful life: $N1 = (1 - \text{used life}/\text{economic useful life}) \times 100\%$

For equipment beyond its economic useful life: $N2 = (\text{remaining useful life}/(\text{used life} + \text{remaining useful life})) \times 100\%$

On-site surveyed newness rate: through on-site survey of the status of the equipment and access to relevant operation and management information, on-site survey of each component of the equipment is carried out to determine its on-site surveyed newness rate.

Based on the aforesaid valuation approaches, the value of the inventories was approximately RMB310.1 million; while value of the M&E was approximately RMB697.7 million, as at 31 December 2024. Consequently, the total value of the Pledged Assets was approximately RMB1.008 billion, as at 31 December 2024.

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Pricing Source

The independent valuer has referenced the following reliable and authoritative sources in conducting the evaluation:

- Market price information gathered by the independent valuer, including direct inquiries made with key manufacturers to obtain up-to-date pricing information;
- MySteel (我的鋼鐵網), a major steel industry pricing data platform;
- Tonghuashun iFind, an institutional-level financial data platform;
- Online commerce B2B marketplace such as Baidu's "Aicaigou" and Alibaba, which provide current pricing data and insights from a range of suppliers and manufacturers;
- Macroeconomic and industry statistic and reports from reputable sources, including the National Bureau of Statistics, covering macroeconomic trends, industry-specific developments, and regional market dynamics; and
- Other available databases.

Conditions Precedent

The 2025 Master Guarantee Agreement shall be conditional upon the approval of the Independent Shareholders at the 2025 EGM in accordance with the Listing Rules.

2.4 Fairness and reasonableness on the terms of the 2025 Master Guarantee Agreement

Obligation of the Group under the 2025 Master Guarantee Agreement

Pursuant to the terms of the 2025 Master Guarantee Agreement, the Company shall continue to provide the CVT Guarantees to the Financial Institutions in favour of the Borrowers during the Renewal Period and the CVT Guarantees continued by the 2025 Master Guarantee Agreement shall guarantee the Total Indebtedness Amounts until the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions.

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During the term of the Renewal Period, the maximum guaranteed amounts are estimated to be approximately RMB930.0 million by 31 December 2027, which are also the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, after taking into account the followings: (i) the total amount outstanding under the CVT Guarantees as at 31 December 2024, the historical maximum guaranteed amounts mandated under the CVT Guarantees, and that the CVT Guarantees have not been released by the Financial Institutions as at the date of the 2025 Master Guarantee Agreement; and (ii) as the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM, the maximum guaranteed amounts estimated for the Renewal Period under the Scenario 2 Proposed Annual Cap, taking into consideration the Scenario 2 Estimated Incidental Costs and Expenses, have been estimated based on hypothetical assumptions that, which may or may not occur, there are no settlements, repayments and/or reductions in the principal amount of the Total Indebtedness Amounts even though such amounts may not necessarily be crystallised in full if progressive repayments could be made by the Borrowers once the outcomes of the Ongoing Discussions can be concluded during the Renewal Period. Based on the above, we consider that the inclusion of such cap to restrict balance of the maximum guaranteed amounts is justifiable and in the interests of the Company and the Shareholders as a whole.

The 2025 Counter Indemnity

As part of the 2025 Master Guarantee Agreement, Chengyu Vanadium shall provide the 2025 Counter Indemnity in favour of the Company which includes (i) continuing to pledge its inventories (mainly comprising industrial materials) and any other assets (mainly comprising M&E) as approved by the Company as security for such counter-indemnity. The market value of such Pledged Assets shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027.; (ii) continuing to provide a several and joint liability guarantee which allows the Company to claim against Chengyu Vanadium directly for any payments, losses and expenses incurred as a result of the CVT Guarantees; and (iii) continuing to fulfil its obligations under the 2025 Master Guarantee Agreement and 2025 Counter Indemnity until the Company's obligations under the CVT Guarantees are fully released and officially discharged by the respective Financial Institutions or until the Borrowers and the Company reach a new replacement agreement in writing.

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In respect of the market value of the Pledged Assets of not less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, we have discussed with the management of the Company and understand that the 1.25 multiple used for calculating the market value of the Pledged Assets is determined based on management judgement and after commercial negotiation to provide a reasonable buffer for potential risks associated with asset depreciation and market volatility. We also note that the Pledged Assets by Chengyu Vanadium in favour of the Company was approximately RMB1.008 billion as at 31 December 2024, which is (i) 1.99 times of the principal amount of the Total Indebtedness Amounts of approximately RMB506.6 million as at the Latest Practicable Date; and (ii) 1.27 times of the maximum guaranteed amount of RMB792.0 million estimated under Scenario 2 Proposed Annual Cap for the year 2025. As such, we are of the view that the 1.25 multiple used for calculating the market value of the Pledged Assets is on normal commercial terms and the 1.25 multiple is determined on fair and reasonable basis so far as the Independent Shareholders are concerned.

In respect of the pledge of Chengyu Vanadium's assets as security under the 2025 Counter Indemnity, we understand that should the 2025 Counter Indemnity is enforced, the Company will claim against Chengyu Vanadium for any loss sustained and sell the Pledged Assets under the 2025 Counter Indemnity for settlement of its payment obligations under the CVT Guarantees. We note that Chengyu Vanadium has total assets of approximately RMB19.8 billion and net assets of approximately RMB2.1 billion, with a cash inflow from operating activities amounting to approximately RMB664.8 million as at 31 December 2024. The net assets represents approximately (i) 414.5% of the principal amount of the Total Indebtedness Amount of approximately RMB506.6 million as at the Latest Practicable Date, owed by the Borrowers to the Financial Institutions; and (ii) 304.3% of the maximum guaranteed amount of approximately RMB690.0 million as at the Latest Practicable Date, which demonstrate that Chengyu Vanadium has the financial ability to allow the Company to claim against it for any losses and expenses incurred from the CVT Guarantees. Further, we have obtained and reviewed the register of charge extracted from Credit Reference Center of the PRC, a directly affiliated institution of the People's Bank of China which is mainly responsible for the construction, operation and management of the basic financial credit information databases, the unified movable financing registry system and the account receivables financing service platform according to the Regulation on the Administration of Credit Reporting Industry, the Decision of the State Council on the Implementation of Unified Registration for Pledge of Movable Property and Rights, and other national laws and regulations and the rules of the People's Bank of China. We have also reviewed (a) the valuation report of the inventories and noted that the assumption and key input of the valuation included, among others, (i) an open market is fully developed; (ii) a

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competitive market in which buyers and sellers are equal with sufficiently available market information. We understand that the independent valuer has adopted the market approach to value the inventories, assessing value by comparing recent transaction prices of identical or similar inventories in the market excluding relevant disposal taxes and fees. We are of the view that it is a common approach for inventories that have an active market allowing for reliable comparison to market data; and (b) the valuation reports for M&E and noted that the assumption and key input of the valuation included, among others, (i) the assets under appraisal will continue to be used in accordance with their intended use; and (ii) the relevant price standards and market prices of the assets under appraisal will not change significantly during the validity period of the appraisal result. We understand that the independent valuer has adopted the cost approach to value M&E (except vehicles), assessing value by reference to (i) full replacement cost, including factors, among others, purchase price of equipment, transportation and incidental cost, equipment foundation cost, installation cost; and (ii) newness rate. We are of the view that it is a common practice used to value assets that can be easily replaced, such as property, plant and equipment. The independent valuer has adopted the market approach to value vehicles given the second-hand vehicles market is relatively active and open, allowing for reliable comparison to market data. According to the valuation reports, the value of the inventories was approximately RMB310.1 million; while value of the M&E was RMB697.7 million as at 31 December 2024. The total value of the Pledged Assets was approximately RMB1.008 billion as at 31 December 2024, which are at least 1.25 times the maximum guarantee amounts of RMB792.0 million for the year 2025.

Taking into consideration that (i) the CVT Guarantees will be covered by the 2025 Counter Indemnity with an amount not be less than 1.25 times of the maximum guaranteed amounts, the 1.25 multiple used for calculating the market value of the Pledged Assets is determined based on management judgement and after commercial negotiation to provide a reasonable buffer for potential risks associated with asset depreciation and market volatility; (ii) should the 2025 Counter Indemnity is enforced, the Company will claim against Chengyu Vanadium for any loss sustained and sell the Pledged Assets under the 2025 Counter Indemnity for settlement of its payment obligations under the CVT Guarantees; (iii) the financial ability of Chengyu Vanadium and the pledge of Chengyu Vanadium's assets as security under the 2025 Counter Indemnity; and (iv) a several and joint liability guarantee which allows the Company to claim against Chengyu Vanadium directly for any losses and expenses incurred as a result of the CVT Guarantees, based on the above, we are of the view that the 2025 Counter Indemnity can cover the Company's contingent liabilities and potential claims under the 2025 Master Guarantee Agreement and the continuing pledge of Chengyu Vanadium's Pledged Assets as security for such counter-

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indemnity which can safeguard the interests of the Company and the Shareholders, and hence is fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above, in particular, (i) the maximum guaranteed amounts are limited to not more than RMB930.0 million, after taking into account the followings: (a) the total amount outstanding under the CVT Guarantees as at 31 December 2024; and (b) the Scenario 2 Estimated Incidental Costs and Expenses payable by the Borrowers during the Renewal Period; and (ii) the 2025 Counter Indemnity provided by Chengyu Vanadium can cover the Company's contingent liabilities and potential claims under the 2025 Master Guarantee Agreement and the continuing pledge of Chengyu Vanadium's Pledged Assets as security for such counter-indemnity can safeguard the interests of the Company and the Shareholders, we concur with the view of the Directors that the terms of the 2025 Master Guarantee Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

2.5 Proposed Revised Guarantee Annual Caps and Proposed Annual Guarantee Fees Annual Caps

2.5.1 Proposed Revised Guarantee Annual Caps

The table below set out (i) the Existing Guarantee Annual Caps; (ii) the Group's historical maximum guaranteed amounts under the CVT Guarantees for the three years ended 31 December 2024; and (iii) the Revised Guarantee Annual Caps for the three years ending 31 December 2027:

	For the year ended 31 December		
	2022	2023	2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Existing Guarantee Annual Caps	730.0	730.0	730.0
Historical maximum guaranteed amounts	690.0	690.0	690.0
	For the year ending 31 December		
	2025	2026	2027
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revised Guarantee Annual Caps	930.0	930.0	930.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above proposed Revised Guarantee Annual Caps have been determined after taking into account the followings:

1. the total amount outstanding under the CVT Guarantees as at 31 December 2024, the historical maximum guaranteed amounts mandated under the CVT Guarantees, and that the CVT Guarantees have not been released by the Financial Institutions as at the Latest Practicable Date; and
2. as the outcomes of the Ongoing Discussions are likely to remain uncertain as at the date of the 2025 EGM, the maximum guaranteed amounts estimated for the Renewal Period under the Scenario 2 Proposed Annual Cap, taking into consideration the Scenario 2 Estimated Incidental Costs and Expenses, have been estimated based on hypothetical assumptions that, which may or may not occur, there are no settlements, repayments and/or reductions in the principal amount of the Total Indebtedness Amounts even though such amounts may not necessarily be crystallised in full if progressive repayments could be made by the Borrowers once the outcomes of the Ongoing Discussions can be concluded during the Renewal Period.

We have discussed with the management of the Company and note that the Scenario 2 Estimated Incidental Costs and Expenses consist of legal and other professional fees related to ongoing litigation initiated by CCB and ICBC against Huili Caitong and Xiushuihe Mining, as well as potential legal proceedings by Cinda. We understand from the management of the Company that they estimate such expenses to be approximately 0.6% of the Total Indebtedness Amounts by making reference to the identified expenditures as incurred in the litigation with CCB. We have reviewed the calculation of the Scenario 2 Proposed Annual Cap and note that the calculation of the Scenario 2 Estimated Incidental Costs and Expenses is based on approximately 0.6% of the Total Indebtedness Amounts which is in line with the ratio of the identified expenditures as incurred in the litigation with CCB. As such, we concur with the view of the Directors that the estimation of the Scenario 2 Estimated Incident Costs and Expenses is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed above in paragraph “2.2 Reasons for and benefits of the entering into the 2025 Master Guarantee Agreement” above, the Financial Institutions require the total amounts owing by the Borrowers to be fully repaid prior to releasing the CVT Guarantees. We are given to understand that the extension of CVT Guarantees by entering into the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity with Chengyu Vanadium, would allow the Company to cover the Company’s contingent liabilities and potential claims under the 2025 Master Guarantee Agreement and to continue to pledge Chengyu Vanadium’s Pledged Assets as security for such counter-indemnity. As such, the Group is required to provide the CVT Guarantees with the maximum guaranteed amounts of RMB930.0 million, which take into account accumulated interests, penalties and other incidental expenses based on hypothetical assumptions that there are no settlements, repayments and/or reductions in the principal amount of the Total Indebtedness Amounts.

2.5.2 Proposed Annual Guarantee Fees Annual Caps

The proposed Annual Guarantee Fees Annual Caps are as follows:

	For the year ending 31 December		
	2025	2026	2027
	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>
Proposed Annual Guarantee Fees			
Annual Caps	11.625	11.625	11.625

The above proposed Annual Guarantee Fees Annual Caps have been determined after taking into account the followings:

1. the Group will receive not more than approximately RMB11.625 million per annum as guarantee fee income assuming the maximum guarantee amounts estimated under the Scenario 2 Proposed Annual Cap is to remain at RMB930.0 million during the Renewal Period; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. the annual rate of the guarantee fees has been determined based on arm's length negotiations between the Company and the Borrowers, having considered (i) the market rates generally payable for the provision of corporate guarantees by publicly listed companies in Hong Kong; (ii) the quantum of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Caps; and (iii) the basis which the annual guarantee fees for the past three years ended 31 December 2024 had been determined.

We have discussed with the management of the Company and reviewed the terms of the 2025 Master Guarantee Agreement, and understand that during the Renewal Period, the proposed Annual Guarantee Fees Annual Caps are calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap. The annual guarantee fees shall start to accrue from 1 January 2025 and the Borrowers shall pay such annual guarantee fees within 30 days after end of each calendar quarter from the effective date of the 2025 Master Guarantee Agreement.

In order to assess the fairness and reasonableness of the proposed Annual Guarantee Fees Annual Caps, we have conducted search over the website of the Stock Exchange and reviewed the transactions involving the provision of guarantees entered into by other companies listed on the Stock Exchange as announced within six months prior to and including 11 February 2025, being the date of the 2025 Master Guarantee Agreement (the “**Comparable Guarantees**”). We consider that the basis of selecting the Comparable Guarantees with the criteria of transactions announced within six months prior to and including the date of the 2025 Master Guarantee Agreement is fair and reasonable given that (i) such criteria and period is sufficiently recent to demonstrate the prevailing market practices which are approved by the regulators; and (ii) we were able to identify sufficient relevant transactions for comparison within such period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have, on a best effort basis, identified an exhaustive list of 15 Comparable Guarantees. Based on the above criteria, we consider these Comparable Guarantees can provide a reference point on the recent transactions involving the provision of guarantees, and they are a fair and representative sample for the purpose of our analysis. On a separate note, the Shareholders should note that the businesses, operations and prospects of the Group are not the same as those of the companies providing the Comparable Guarantees, therefore, the Comparable Guarantees are only used to provide a general reference for the common market practice in similar guarantee arrangements. Details of the Comparable Guarantees are summarised as follows:

	Date of announcement	Company name	Guarantee amount	Guarantee fees	Connected transactions (Y/N)
1	17/01/2025	E-Commodities Holdings Limited (1733.HK)	USD3,773,000	nil	Y
2	17/01/2025	Jiangsi Copper Company Limited (358.HK)	RMB161,700,000	nil	Y
3	23/12/2024	Zall Smart Commerce Group Ltd. (2098.HK)	RMB293,200,000 in aggregate	2.00%	N
4	18/12/2024	GoFintech Innovation Limited (290.HK)	HKD301,146,412 in aggregate	nil	N
5	09/12/2024	Shanxi Installation Group Co., Ltd. (2520.HK)	USD13,000,000	nil	Y
6	04/12/2024	China Risun Group Limited (1907.HK)	RMB1,025,100,000	nil	N
7	20/11/2024	Beijing Capital Grand Limited (1329.HK)	RMB520,000,000 in aggregate	0.70%	Y
8	11/11/2024	Multifield International Holdings Limited (898.HK)	RM69,090,000	nil	N
9	29/10/2024	CSSC (Hong Kong) Shipping Company Limited (3877.HK)	USD101,150,000	nil	N
10	25/10/2024	E-Commodities Holdings Limited (1733.HK)	RMB107,800,000 in aggregate	nil	Y
11	23/10/2024	Seacon Shipping Group Holdings Limited (2409.HK)	USD79,000,000 in aggregate	nil	N
12	10/17/2024	UNQ Holdings Limited (2177.HK)	RMB48,000,000	nil	N
13	27/09/2024	Livzon Pharmaceutical Group Inc. (1513.HK)	RMB2,100,000,000	nil	Y
14	28/08/2024	Ubtech Robotics Corp Ltd. (9880.HK)	RMB490,000,000 in aggregate	nil	N
15	26/08/2024	Concord New Energy Group Limited (182.HK)	RMB1,080,000,000 in aggregate	1.50%	Y
			Average	0.28%	
			Max	2.00%	
			Min	nil	
		Company	Maximum of RMB930.0 million	1.25% per annum of the maximum guaranteed amounts	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the guarantee fees charged on the amount guaranteed by the Comparable Guarantees ranged from nil to 2.0% per annum, with an average guarantee fee rate of approximately 0.28% per annum. We note that the guarantee fee rate of 1.25% per annum entitled by the Group is within the range of that of the Comparable Guarantees and is higher than the average of the Comparable Guarantees. We therefore consider the proposed Annual Guarantee Fees Annual Caps charged by the Company for the provision of the CVT Guarantees is fair and reasonable.

In light of the above, we are of the view that the Revised Guarantee Annual Caps and proposed Annual Guarantee Fees Annual Caps are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2.6 Internal Control Policies

We have obtained and reviewed the Company's internal control measures for the purpose of the 2025 Master Guarantee Agreement. Set out below are the internal control measures imposed by the Group in order to safeguard the interests of the Independent Shareholders and to ensure that the proposed Revised Guarantee Annual Caps and the proposed Annual Guarantee Fees Annual Caps will not be exceeded. The Company has formulated and will continue to follow internal control measures relating to the transactions contemplated under the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity, which include the following:

- (i) the Borrowers will submit all the related loan details to the Company on a monthly basis and the Borrowers will have to follow up on the Status Updates; and the compliance department of the Company will report to the management of the Company in the event that there is any deviation from the basis as set out in the 2025 Master Guarantee Agreement, the management will then report to the Board;
- (ii) the Pledged Assets will be stored at a designated location agreed by the Company or its designated third party, and shall not be replaced by Chengyu Vanadium with other Pledged Assets of equal value as substitute without the Company's prior consent;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Company will engage an independent professional valuer to perform physical sighting and to ascertain the market value of the Pledged Assets under the 2025 Counter Indemnity at the end of each financial year and to ensure that such market value shall not be less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap. In addition, the Company will perform physical sighting on the Pledged Assets, and procure the independent professional valuer to update the valuation of the Pledged Assets on monthly basis. In the event that the value of the Pledged Assets is found to have fallen below 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, the Company will require Chengyu Vanadium to pledge further assets to the Company to meet the aforesaid requisite level of value;
- (iv) the independent non-executive Directors have reviewed and will continue to review the connected transaction agreements to ensure that such agreements, if applicable, are entered on normal commercial terms, fair and reasonable, and carried out pursuant to the terms thereof; and
- (v) the Company's external auditor has reviewed the CVT Guarantees on annual basis since 2019 and will continue to conduct an annual review of the transactions entered into under the 2025 Master Guarantee Agreement (including the annual guarantee fees) and to ensure that, among other, such connected transactions are entered into in accordance with the terms set out in the 2025 Master Guarantee Agreement.

We have (i) obtained and reviewed one set of related loan details submitted by the Borrowers and noted that the relevant documents have been reviewed by the responsible departments and personnel accordingly; (ii) obtained and reviewed the valuation report of the Pledged Assets as at 31 December 2024 and noted that the value of the Pledged Assets is higher than the maximum guaranteed amounts under the CVT Guarantees (i.e. RMB930.0 million); and (iii) reviewed the 2023 Annual Report and noted that the Company's external auditor has confirmed that the execution and performance of the CVT Guarantees during the year ended 31 December 2023 were entered into in accordance with the terms set out in the CVT Guarantees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above internal control measures, we are of the view that (i) the Borrowers submitting all the related loan details to the Company on a monthly basis allow the Board to identify deviations from the basis as set out in the 2025 Master Guarantee Agreement on a timely basis; (ii) the Pledged Assets to be stored at a designated location by the Company or its designated third party could prevent Chengyu Vanadium from replacing the Pledged Assets with other Pledged Assets of equal value as substitute without the Company's prior consent, which could safeguard the interest of the Company; and (iii) engaging an independent professional valuer to perform physical sighting and to ascertain the market value of the Pledged Assets under the 2025 Counter Indemnity at end of each financial year could ensure the market value of the Pledged Assets is not less than 1.25 times of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap for the respective year within the period from 2025 to 2027.

Based on the above, we concur with the Directors' view that the internal control measures are sufficient and effectively implemented in place to ensure the transactions contemplated under the 2025 Master Guarantee Agreement will be conducted on normal commercial terms.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that although the entering into of the 2025 Master Guarantee Agreement is not in the ordinary and usual course of business of the Group, it is in the interests on the Company and the Shareholders as a whole, and the terms of the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the IBC to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2025 Master Guarantee Agreement (together with the Revised Guarantee Annual Cap(s) and the Annual Guarantee Fees Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldlink Capital (Corporate Finance) Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Cheung has over 15 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2022, 2023 and 2024, together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.chinavtmmining.com):

- the Annual Report 2022 of the Company for the 12 months ended 31 December 2022 published on 21 April 2023 (pages 105 to 238);
- the Annual Report 2023 of the Company for the 12 months ended 31 December 2023 published on 26 April 2024 (pages 107 to 238); and
- the Annual Report 2024 of the Company for the 12 months ended 31 December 2024 published on 25 April 2025 (pages 108 to 245).

2. INDEBTEDNESS STATEMENT

As at 31 March 2025, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Bank and other borrowings

	Secured bank loans ⁽¹⁾ RMB'000	Unsecured other borrowings RMB'000	Total RMB'000
Current	69,600	3,000	72,600
Non-current	—	4,994	4,994
	<u>69,600</u>	<u>7,994</u>	<u>77,594</u>

Note:

- (1) Secured by (a) mining rights of Maoling-Yanglongshan Mine; and (b) 100% equity of Aba Mining Co., Ltd. held by Sichuan Lingyu.

	Effective interest rate (per annum)
Bank loans	3.23%-3.35%
Other borrowings	<u>4.00%</u>
 (b) Lease liabilities	
	Total <i>RMB'000</i>
Current	2,183
Non-current	<u>18,853</u>
	<u>21,036</u>
 Certain of the operating leases were secured by the rental deposits.	
	Effective interest rate (per annum)
Leases	<u>4.90%-5.00%</u>

(c) Guarantees

As at the Latest Practicable Date, the maximum guaranteed amounts under the CVT Guarantees was RMB690.0 million. The CVT Guarantees were provided by the Company prior to the Disposal to guarantee the indebtedness of the Borrowers owed to certain banks and an asset management and financial services institution in the PRC. No other guarantee have been given in respect of the bank and other borrowings and lease liabilities of the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 March 2025, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or other material contingent liabilities.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness of the Group since 31 March 2025 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources, cash flow from operations and also the effect of the proposed transactions as set out in this circular, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances. The Company has obtained the relevant confirmation from its auditor as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, China continues to lead global iron ore consumption, propelled by substantial steel production that underpins infrastructure development, urbanization, and industrial transformation, supported by the government's commitment to high-quality growth, infrastructure enhancement, and technological innovation.

In the medium term, policy measures such as the "dual circulation" strategy and the focus on achieving carbon neutrality by 2060 are likely to reshape supply chains and encourage higher efficiency in steel production. This presents opportunities for high-grade iron ore producers, as demand shifts towards sustainable and higher-quality raw materials.

However, geopolitical uncertainty persists, the economic landscape remains complex and challenging. The deepening real estate crisis and subdued domestic consumption in China have prompted significant reliance on potential stimulus plans and fiscal policies to boost economic activities and prevent another downturn. In response, China's central government may increase spending and investments in infrastructure, rural rejuvenation, and the fields of new materials and technologies going forward, perhaps at a slower pace. Looking ahead, the Group anticipates a continued challenging operating environment due to ongoing global economic uncertainties, fluctuating market conditions, persistent overcapacity and weak demand. These factors have driven down selling prices, creating a challenging economic environment for producers. Simultaneously, rising production costs continue to exert additional pressure on profit margins, further affecting financial performance.

As announced in 3 December 2024, while the overall timeline for restoring operations and optimising the post-resumptions capacity at the Maoling-Yanglongshan Mine after the previous incident was shorter than initially anticipated, that incident and implementation of key safety enhancement measures have impacted the overall production capacity and operational plans of the Maoling-Yanglongshan Mine in the second half of financial year ended 31 December 2024, including its financial results. Management remained cautious and has heightened its supervision efforts on implementation of enhanced safety measures. Despite these temporary disruptions, the Group continues to focus on cost management and operational efficiency in order to mitigate overall margins pressure while staying price competitive and remains operationally proactive in addressing the macroeconomic uncertainties. Despite market volatility, the Group aims to stabilise its production of high-grade iron concentrates and sustain its steel trading business over the next 12 to 18 months.

In the meantime, the Group observes that mining and industrial facilities management services continue to be operationally relevant as the Group extends its scope and diversifies its revenue streams. While the Group has adopted a more cautious approach in expanding this segment, its joint venture had reported maiden profits during FY2024. This diversification strategy is expected to further broaden the Group's revenue streams.

The Group maintains a cautiously optimistic outlook, remains hopeful of a meaningful recovery in economic activities and improvement in business cycles, albeit slowly and progressively, grounded in the resilience of China's iron ore demand and the national emphasis on sustainable, high-quality growth. Against this backdrop, the Group will adjust its strategies as and when required.

6. FINANCIAL EFFECT OF THE MAJOR TRANSACTION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The Directors consider that the major transaction, namely the provision of guarantee under the 2025 Master Guarantee Agreement, will not have any net material financial impact on the earnings, assets and liabilities of the Group, except that (i) the 2025 Master Guarantee Agreement will be measured, recognized and recorded in accordance to International Financial Reporting Standard 9 – Financial Instruments; and (ii) the annual guarantee fees will be recognised based on 1.25% of the maximum guaranteed amounts estimated under Scenario 2 Proposed Annual Cap. For illustrative purpose, it is expected that the Group will receive not more than approximately RMB11.625 million per annum as guarantee fee income assuming the maximum guarantee amounts estimated under the Scenario 2 Proposed Annual Cap is to remain at RMB930.0 million during the Renewal Period. In the event of changes in the maximum guaranteed amounts, e.g. due to progressive repayment or restructuring of loans by the Borrowers, the amount of annual guarantee fees will be adjusted accordingly. In the event the guarantees under 2025 Master Guarantee Agreement become enforceable, the liabilities of the Company are likely being covered by the 2025 Counter Indemnity and hence it is not expected that the enforcement of the 2025 Master Guarantee Agreement will have an adverse impact on the Company's financial position.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, so far as is known to any Directors and chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be 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 which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group are made up) and up to the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or proposed directors of the Company (if any) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors or chief executives of the Company, as at the Latest Practicable Date, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions in Shares:

Name	Notes	Directly beneficially owned	Through parties acting in concert	Held in the capacity of person having a security interest in Shares	Total	Percentage of the Company's issued share capital
Trisonic International	1, 5 & 6	1,006,754,000	-	-	1,006,754,000	44.76%
Kingston Grand Limited	1, 2 & 5	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Wang Jin	1, 5 & 6	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Yang Xianlu	5	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Wu Wendong	5	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Li Hesheng	1 & 4	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Shi Yinjun	1 & 4	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Zhang Yuangui	1 & 4	-	1,006,754,000	-	1,006,754,000	44.76%
Long Sino International Limited	2, 3 & 4	-	1,006,754,000	-	1,006,754,000	44.76%
Mr. Zou Hua	3 & 4	-	1,006,754,000	-	1,006,754,000	44.76%
Dujiangyan branch of Bank of China Limited	-	-	-	614,080,000	614,080,000	27.30%
Erie Investments Limited	-	202,892,000	-	-	202,892,000	9.02%

Notes:

- The issued share capital of Trisonic International is held in the following manner: 3.0% by Mr. Li Hesheng, 42.6% by Mr. Wang Jin, 7.2% by Mr. Shi Yinjun, 7.2% by Mr. Zhang Yuangui and 40.0% by Kingston Grand Limited.
- The issued share capital of Kingston Grand Limited is 100% held by Long Sino International Limited.
- The issued share capital of Long Sino International Limited is 100% held by Mr. Zou Hua.
- As at 31 December 2024, 1,006,754,000 Shares were held by Trisonic International. Since Trisonic International, Kingston Grand Limited, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, and Mr. Zou Hua were parties acting in concert, each of Kingston Grand Limited, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, and Mr. Zou Hua was deemed to be interested in 1,006,754,000 Shares held by Trisonic International.
- Mr. Wang Jin is a director of Trisonic International.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company or the relevant member of the Group within one year without payment of compensation other than statutory compensation.

5. MATERIAL LITIGATIONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were 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 the Company or any of its subsidiaries.

The Company had previously announced the litigations initiated by CCB against its former indirect wholly-owned subsidiary, Huili Caitong; and litigations initiated by ICBC against both its former indirect wholly-owned subsidiaries, Huili Caitong and Xiushuihe Mining, on which the Company has provided the CVT Guarantees prior to the Disposal in 2019, with further details disclosed in Company's announcement dated 28 Mar 2024, 19 June 2024, 19 August 2024, and 21 August 2024, 15 November 2024 and 23 December 2024.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under Rule 8.10 of the Listing Rules if any of such Directors or his associates was a controlling shareholder.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

Goldlink Capital (Corporate Finance) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Name	Qualification
Goldlink Capital (Corporate Finance) Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the IFA did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2024, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MATERIAL CONTRACTS

Save as the 2025 Master Guarantee Agreement and the 2025 Counter Indemnity, each of the member of the Group has not entered into any contracts (not being contracts in the ordinary course of business) within the two years preceding the date of this circular which are or may be material.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are available for in the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.chinavtmmining.com from the date of this circular up to and including the date of the EGM:

- (a) 2025 Counter Indemnity;
- (b) 2025 Master Guarantee Agreement;
- (c) the letter from the IFA to the IBC and the Independent Shareholders, the text of which is set out on pages 39 to 71 of this circular; and
- (d) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Suite 3201, 32/F, Alexandra House, 18 Chater Road, Central, Hong Kong.
- (c) The principal share registrar and the transfer agent of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1110, Cayman Islands.
- (d) The share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Mr. Leung Ming Shan, John Bosco. Mr. Leung is a partner of Llinks Law Offices LLP and his primary contact person of the Company is Mr. Wang Hu, an executive Director.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

NOTICE OF EGM



China Vanadium Titano-Magnetite Mining Company Limited

中國鈮鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Vanadium Titano-Magnetite Mining Company Limited (the “**Company**”) will be held at City Tower, No. 86 Section 1, Renmin South Road, Qingyang District, Chengdu, the People’s Republic of China at 12:00 p.m., (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10:30 a.m. on the same day) or at any adjournment thereof, on Monday, 26 May 2025, for the purposes of considering and, if thought fit, approve the following ordinary resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 9 May 2025 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT** the 2025 Master Guarantee Agreement, the terms set out thereof, and the transactions contemplated thereby, together with the proposed annual caps as set out in the Circular, be and are hereby approved, confirmed and ratified, and that any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to take any action and execute any document (under seal, if necessary) as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the 2025 Master Guarantee Agreement and the transactions contemplated thereby.”
2. “**THAT** the Company’s receipt of the annual guarantee fees from the Huili Caitong Parties, calculated at 1.25% of the maximum guaranteed amounts estimated under the Scenario 2 Proposed Annual Cap, for a term of three years ending on 31 December 2027 in accordance with the terms of the 2025 Master Guarantee Agreement, be and are hereby approved, confirmed and ratified.”

By order of the Board of

China Vanadium Titano-Magnetite Mining Company Limited

Teh Wing Kwan

Chairman

Hong Kong, 9 May 2025

NOTICE OF EGM

Principal place of business in Hong Kong:

Suite 3201, 32/F
Alexandra House
18 Chater Road
Central, Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 24 hours before the time appointed for the holding of the extraordinary general meeting (or any adjournment thereof).
3. The register of members will be closed from Wednesday, 21 May 2025 to Monday, 26 May 2025, both days inclusive, during which no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 20 May 2025.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The EGM is expected to last for less than half a day. Members (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Members or their proxies attending the EGM shall present their identity certifications.
6. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. If a typhoon signal No. 8 or above is hoisted or a "black" rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the website of the Company (<http://www.chinavtmmining.com>) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.
8. All times refer to Hong Kong local time, except as otherwise stated.

As at the date of this notice, the Board comprises Mr. Teh Wing Kwan (Chairman) as non-executive Director, Mr. Hao Xiemin (Chief Executive Officer) and Mr. Wang Hu as executive Directors, and Mr. Yu Haizong, Mr. Liu Yi, Mr. Wu Wen and Mdm. Tang Guoqiong as independent non-executive Directors.