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If you have sold or transferred all your shares in **China Vanadium Titano-Magnetite Mining Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ENTRY INTO MASTER GUARANTEE AGREEMENT AND NOTICE OF EGM

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



Capitalised terms used in this cover page 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 6 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser, is set out on pages 26 to 49 of this circular.

A notice convening the EGM to be held on Wednesday, 29 June 2022 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 also enclosed with this circular.

Whether or not you intend to attend the EGM, you are advised to read the notice of EGM and complete and return the enclosed form of proxy in accordance with the instructions printed thereon to 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 as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:30 a.m. on Monday, 27 June 2022 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

8 June 2022

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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 (動產質押合同) 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 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
“Additional Security”	the pledge of at least 100,000 tons of structural steels with a market value of not less than RMB300.0 million at any point in time as additional security by Chengyu Vanadium in favour of the Company for the counter-indemnity provided by the Purchaser under the 2019 Counter Indemnity
“Board”	the board of Directors
“Borrowers”	Huili Caitong and Xiushuihe Mining
“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

DEFINITIONS

“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈮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 same 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
“Director(s)”	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 Panzhihua Yixingda) pursuant to the sale and purchase agreement dated 29 January 2019 entered into among Sichuan Lingyu and Chengyu Vanadium
“Effective Date”	the effective date of the Master Guarantee Agreement, being the date of fulfilment of all conditions precedent set out thereunder
“EGM”	extraordinary general meeting of the Company, to be convened to consider and, if thought fit, approve the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder

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“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
“Guarantee Annual Cap(s)”	the proposed annual caps in respect of the maximum guaranteed amounts to be provided by the Company to the Financial Institutions under the Master Guarantee Agreement for each of the three years ending 31 December 2024
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huili Caitong”	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣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” or “Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors of the Company, namely Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi, to advise the Independent Shareholders with respect to the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder
“IFA” or “Independent Financial Adviser”	Goldlink Capital (Corporate Finance) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the IBC and the Independent Shareholders with regard to the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder

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“Indemnity Confirmation”	a confirmation by Chengyu Vanadium and the Borrowers in favour of the Company of their obligations under the 2019 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 Guarantee
“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 EGM pursuant to the Listing Rules
“Irrevocable Undertaking”	an irrevocable undertaking that the Borrowers shall continue to repay the principal amount and interests of the loans under the CVT Guarantees in accordance with the terms of such loans with the Financial Institutions to prevent the Company from assuming the guarantee responsibility under the CVT Guarantees
“Latest Practicable Date”	6 June 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Guarantee Agreement”	the 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
“Panzhuhua Yixingda”	Panzhuhua Yixingda Industrial Trading Co., Ltd.* (攀枝花易興達工貿有限責任公司), a limited liability company established in the PRC on 9 July 2009, which is a wholly-owned subsidiary of Huili Caitong
“PRC”	People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

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“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
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholder(s)”	holder(s) of shares of the Company
“Sichuan Lingyu”	Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司), 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
“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 County Xiushuihe Mining Co., Ltd.* (會理縣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. Jiang Zhong Ping (*Chief Executive Officer*)

Mr. Hao Xiemin (*Financial Controller*)

Mr. Wang Hu

Independent Non-executive Directors:

Mr. Yu Haizong

Mr. Liu Yi

Mr. Wu Wen

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111, Cayman Islands

*Principal Place of Business
in Hong Kong:*

31/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

8 June 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE ENTRY INTO MASTER GUARANTEE AGREEMENT**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 16 May 2022 in relation to the entry into Master Guarantee Agreement.

The purpose of this circular is to provide the Independent Shareholders with (i) further details of the provision of the CVT Guarantees under the Master Guarantee Agreement; (ii) the letter from the Independent Board Committee in relation to major transaction and continuing connected transaction; (iii) the letter from the Independent Financial Adviser in relation to major transaction and continuing connected transaction; and (iv) other information as required under the Listing Rules.

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II. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION

1. Background

Reference is made to the announcements of the Company dated 29 January 2019, 29 March 2019, 30 April 2019, 10 May 2019, 28 June 2019, 30 July 2019, 29 July 2020 and 16 May 2022 and the circular of the Company dated 10 June 2019 in relation to the Disposal which constitutes a very substantial disposal and connected transaction of the Company under the Listing Rules.

As previously disclosed, the Company provided the CVT Guarantees in favour of the Financial Institutions guaranteeing, *inter alia*, the indebtedness owing by the Borrowers to the Financial Institutions under the credit facilities granted by the Financial Institutions to the Borrowers, with a maximum aggregate guaranteed amount of RMB730.0 million.

On 30 July 2019, following the Disposal and pending completion of the release of the CVT Guarantees by the Financial Institutions, 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.

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The Company, the Borrowers, Chengyu Vanadium and the respective Financial Institutions have been in discussions on the release of the CVT Guarantees since the completion of the Disposal. The Financial Institutions have accordingly informed Chengyu Vanadium and the Borrowers that they will only release the CVT Guarantees provided that the total outstanding Loans with the Financial Institutions are fully repaid. As at the Latest Practicable Date, the details of the Loans covered by the CVT Guarantees are as follows:

Financial Institutions	Borrowers	Maximum guaranteed amount (RMB'000)	Year of inception	Loan details	
				Outstanding amount as at the Latest Practicable Date (RMB'000)	Existing rollover interval
China Cinda Asset Management Co., Ltd, Sichuan Branch (Notes 1 & 2)	Huili Caitong	200,000	2014	140,975	Annually
Industrial and Commercial Bank of China Limited, Liangshan Branch (Note 2)	Huili Caitong	100,000	2013	72,715	Annually
	Xiushuihe Mining	30,000	2013	21,000	Annually
China Construction Bank Corporation, Liangshan Branch (Notes 2 & 3)	Huili Caitong	400,000	2010	293,695	Every 3 years
Total		730,000		528,385	

Notes:

- As disclosed in annual reports of the Company between the financial years 2019 to 2021, the guarantee provided by the Company in favour of China Merchant Bank Co., Ltd, Chengdu Branch (“CMB”) was created on 11 September 2014. Pursuant to the guarantee dated 11 September 2014 and entered into between the Company and CMB, the Company granted the guarantee in favour of CMB for the indebtedness of Huili Caitong under the credit agreement, which was executed between Huili Caitong and CMB on even date. By a notice of assignment of loan on 6 July 2017, the Company was informed of the assignment by CMB of all its rights in the credit agreement and the guarantee in favour of China Cinda Asset Management Co., Ltd, Sichuan Branch.
- Under the respective financing arrangements with the Financial Institutions, the Loans have been rolled over annually or every 3 years (as the case may be) since the respective inception date unless otherwise revoked by the Financial Institutions. As of the Latest Practicable Date, there is no indications from the Financial Institutions that the approval for such rollover will be withheld or revoked.

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3. Amidst the fluid operating business environment, the Financial Institution has indicated that the existing 3-year interval may be shortened to 12-month and subject to annual review for approval of rollover.

Given that 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, the Company has (i) requested for the extension of the 2019 Counter Indemnity in favour of the Company and (ii) required all the Existing CVT Guarantees Agreements (as set out below) be consolidated and combined into the Master Guarantee Agreement for the ease of administration. In view of the above, the Company, Chengyu Vanadium and the Borrowers have agreed to enter into the Master Guarantee Agreement to continue to provide the CVT Guarantees on such terms and conditions contained therein.

2. Master Guarantee Agreement

Date

16 May 2022 (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 2024

Major Terms

1. The Company shall continue the provision of the CVT Guarantees in favour of the Financial Institutions for a term commencing from the Effective Date to 31 December 2024 (the “**Master Agreement Period**”), subject to a maximum aggregate guaranteed amount of RMB730.0 million, which is also the historical maximum guaranteed cap.
2. The CVT Guarantees continue to be provided under the Master Guarantee Agreement shall cover:
 - (a) the indebtedness owing by the Borrowers to the Financial Institutions under the CVT Guarantees; and

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- (b) any loans approved by the Financial Institutions for rollover under the extension of the indebtedness set out in (a) above from time to time, (collectively, the “**Loans**”).
3. During the term of extension of the CVT Guarantees, the Borrowers shall:
- (a) ensure that the aggregate amount of the Loans and the total interest for the Loans for the three years ending 31 December 2024 shall not exceed RMB601.0 million, being the total estimated liabilities of the Borrowers round up to the nearest million during the Master Agreement Period comprising (i) the amount of the Loans owing by the Borrowers to the Financial Institutions of approximately RMB533.4 million as at 31 December 2021 (the “**2021 Outstanding Principal**”) and (ii) the total estimated interest payable by the Borrowers for the Loans of approximately RMB67.0 million during the Master Agreement Period (the “**Total Interest**”), estimated based on the average historical interest rate of approximately 5.0% per annum; and
- (b) pay an annual guarantee fee to the Company, calculated at 1.25% of the maximum guaranteed amounts, in accordance with the terms of the Master Guarantee Agreement. The guarantee fee shall start to accrue from the Effective Date and the Borrowers shall pay such annual guarantee fee within 30 days after end of each calendar quarter.
- 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 and (ii) the quantum of the maximum guaranteed amounts.
4. Chengyu Vanadium shall provide counter-indemnity in favour of the Company by:
- (a) pledging its inventories (comprising structural steels and iron ores, or any other assets approved by the Company) as security for such counter-indemnity. The market value of such pledged inventories shall not be less than 1.25 times of the maximum guaranteed amounts under the Master Guarantee Agreement; and

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- (b) providing 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.

In this connection, Chengyu Vanadium has entered into the 2022 Counter Indemnity to cover the Company's contingent liabilities and potential claims under the Master Guarantee Agreement and to pledge Chengyu Vanadium's inventories (comprising structural steels and iron ores, or any other assets approved by the Company) as security for such counter indemnity. The 2022 Counter Indemnity shall take effect on the same date as the Effective Date.

Conditions Precedent

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

3. 2022 Counter Indemnity

As discussed above and in furtherance of the Master Guarantee Agreement, Chengyu Vanadium entered into the 2022 Counter Indemnity on 16 May 2022, the major terms of which are set out below:

Date

16 May 2022 (after trading hours)

Parties

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

Effective Date

The 2022 Counter Indemnity shall take effect on the same date as the Effective Date.

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Scope

The 2022 Counter Indemnity shall cover the Company's contingent liabilities and potential claims under the Master Guarantee Agreement, including (i) the sums actually payable by the Company with respect to the indebtedness 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 2022 Counter Indemnity; and (iii) any other costs which shall be borne by Chengyu Vanadium.

Counter Indemnity Measures

Pursuant to the terms of the 2022 Counter Indemnity, Chengyu Vanadium shall provide counter-indemnity in favour of the Company as follows:

- (i) pledging its inventories (comprising structural steels and iron ores, or any other assets approved by the Company) as security for such counter-indemnity. The market value of such pledged inventories shall not be less than 1.25 times of the maximum guaranteed amounts under the Master Guarantee Agreement. The value of the pledged inventories amounted to RMB1,112.8 million as at 31 December 2021, as supported by a valuation report issued by an independent valuer; and
- (ii) providing 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.

4. Proposed Guarantee Annual Caps

The proposed Guarantee Annual Caps are as follows:

Period	Guarantee Annual Caps RMB' million
From Effective Date to 31 December 2022	730.0
From 1 January 2023 to 31 December 2023	730.0
From 1 January 2024 to 31 December 2024	730.0

The above proposed Guarantee Annual Caps has been determined after taking into account of the followings:

1. 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 for the reasons as explained in the above; and

LETTER FROM THE BOARD

2. the total estimated liabilities of the Borrowers during the Master Agreement Period comprising the 2021 Outstanding Principal and the Total Interest, which shall continue to fall within the maximum guaranteed amounts of the CVT Guarantees.

The Directors (except the IBC, whose views will be contained in the circular after considering the advice from the IFA) consider that the above proposed Guarantee Annual Caps are fair and reasonable.

5. Historical Maximum Guaranteed Amounts

The historical maximum guaranteed amounts provided by the Group and historical annual caps under the CVT Guarantees were as follows:

Period	Historical maximum guaranteed amounts <i>RMB' million</i>	Outstanding Loans <i>RMB' million</i>
From 1 January 2019 to 31 December 2019	730.0	549.9
From 1 January 2020 to 31 December 2020	730.0	542.7
From 1 January 2021 to 31 December 2021	730.0	533.4
From 1 January 2022 to the Latest Practicable Date	730.0	528.4

For each of the three years ended 31 December 2019, 2020 and 2021, the highest guaranteed amounts historically provided by the Company to the Financial Institutions under the CVT Guarantees was RMB730.0 million.

6. Rationale for entering into the Master Guarantee Agreement

As previously disclosed in the circular of the Company dated 10 June 2019 and the announcement of the Company dated 29 July 2020, the Loans under the CVT Guarantees granted by the Financial Institutions had remained outstanding since the date of the completion of the Disposal. As at the Latest Practicable Date, the outstanding Loans is approximately RMB528.4 million, which is approximately RMB201.6 million or 27.6% lower than the maximum guaranteed amounts of RMB730.0 million under the CVT Guarantees due to progressive repayments. Chengyu Vanadium and the Borrowers have further undertaken pursuant to the 2022 Letter of Undertaking (as defined and discussed further below) that they will make progressive repayment and/or shall procure that the Loans be progressively reduced.

LETTER FROM THE BOARD

On 29 July 2020, the Company announced that Chengyu Vanadium and the Borrowers have updated the Company that they have been following up with the Financial Institutions with their best effort for the release of the CVT Guarantees, but it has taken longer than expected for the Financial Institutions to review the release of CVT Guarantees due to COVID-19 pandemic. Since then, Chengyu Vanadium and the Borrowers have continued to be in active discussions with the respective Financial Institutions in releasing the CVT Guarantees while the Borrowers have continued to repay the Loans and interests thereof over the past three years ended 31 December 2021 (please refer to the paragraph headed “Historical Maximum Guaranteed Amounts” above).

Amidst the slowing economy, prolonged market recovery and heightened credit risk under the current business environment in the PRC, including the spillover effects of the real estate debt risks, many financial institutions in the PRC have, across the board, adopted a much more conservative approach in extending banking facilities for companies in various industries that they have reduced their credit exposure, required pledges of additional collateral and imposed higher loan-to-value and/or debt-service coverage ratios. Such an environment has, to a larger extent, affected the willingness of the Financial Institutions in evaluating the release of the CVT Guarantees prematurely. Despite the efforts placed by Chengyu Vanadium and the Borrowers, the Financial Institutions have recently expressed again that they require the total amounts owing by the Borrowers to the Financial Institutions to be fully repaid prior to releasing the CVT Guarantees.

The Loans were drawn down by the Borrowers as early as in 2010, which were long before the Disposal and when the Borrowers were still subsidiaries of the Group, to support their daily operation. Due to the nature and historical reasons of the Loans, and notwithstanding that the Borrowers have been using their best effort to negotiate with the Financial Institutions to release the CVT Guarantees and at the same time making progressive repayments of the Loans over the years and up to the Latest Practicable Date, it is however unlikely for the Borrowers to be able to make immediate bullet payments of the entire Loans of RMB528.4 million nor repaying the Loans within the next three years given the continuing working capital requirements of the Borrowers. In this connection, as an interim measures while concurrently continuing their best effort to negotiate with the Financial Institutions to release the CVT Guarantees, the Borrowers and Chengyu Vanadium had agreed to (i) enter into the Master Guarantee Agreement and pay the guarantee fee to the Company; (ii) extend the counter indemnity by providing the 2022 Counter Indemnity; and (iii) provide the 2022 Letter of Undertaking (to be discussed and defined further below) to use best effort to reduce the maximum guaranteed amounts to not more than RMB530.0 million by 31 December 2024 from the existing RMB730.0 million, to limit the risk exposure of the Company.

LETTER FROM THE BOARD

Notwithstanding to the above, the Company consider that the counter-indemnity in favour of the Company under the 2022 Counter Indemnity will adequately cover the Company's position. The Company, Chengyu Vanadium and the Borrowers further agree that it is of paramount importance to foster and maintain amicable business relationship with the respective Financial Institutions under the existing business environment in the PRC.

The continuity of the CVT Guarantees under the Master Guarantee Agreement and the 2022 Counter Indemnity will also avoid having to deal with the pertinent requests for change in security and/or collateral for the Loans in an abrupt manner while allowing both the Company and the Borrowers to continually engage in ongoing and fruitful discussions with the respective Financial Institutions for progressive release of the CVT Guarantees while the Borrowers will continue to make gradual repayment of the Loans without any major operational disruptions. Meanwhile, the Board is of the view that, for good corporate governance practice, the Company shall seek Independent Shareholders' approval every three years for the current proposed continuing connected transaction, as applicable and will keep Shareholders updated from time to time on any material information pertaining to the continuity of the CVT Guarantees.

The details of the CVT Guarantees have been disclosed in the circular previously issued by the Company dated 10 June 2019 and the Company's annual reports; and in consistent with the terms and conditions for the completion of the Disposal, Chengyu Vanadium and the Borrowers have continued to agree that they shall, on best effort basis, procure the discharge of the CVT Guarantees, which is conditional upon the approvals of the Financial Institutions. As such, in accordance with the terms and conditions for the completion of the Disposal, the CVT Guarantees shall continue to be in existence until the full and final settlement are made and officially discharged by the respective Financial Institutions.

Given that 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, the Company has requested and Chengyu Vanadium has agreed, that:

- the pertinent terms and conditions in relation to the 2019 Counter Indemnity, Additional Security, Irrevocable Undertaking and Indemnity Confirmation (the "**Existing CVT Guarantees Agreements**") shall remain unchanged and remain effective until the CVT Guarantees are fully released notwithstanding the significant reduction of the outstanding Loans under the CVT Guarantees. In particular, the value of security guaranteed under the 2022 Counter Indemnity in favour of the Company shall not be less than 1.25 times of the maximum guaranteed amounts;

LETTER FROM THE BOARD

- for the ease of administration, reference and execution, taking effect from the Effective Date, the Existing CVT Guarantees Agreements be consolidated and combined into the Master Guarantee Agreement, and in furtherance of which (i) the 2019 Counter Indemnity and Additional Security shall be replaced by the 2022 Counter Indemnity and shall cease to take effect; and (ii) the Irrevocable Undertaking and Indemnity Confirmation shall be replaced by the 2022 Letter of Undertaking and shall cease to take effect; and
- the execution of the Master Guarantee Agreement, for purpose of good corporate governance practice, be tabled for Independent Shareholders’ approval every three years commencing from the Effective Date until the Loans are fully repaid and the CVT Guarantees are released.

To the best knowledge of the Directors, up to the Latest Practicable Date, the Company notes that (i) the values of security under the 2019 Counter Indemnity and Additional Security (in aggregate) remain substantially higher than the maximum guaranteed amounts and outstanding amounts of the Loans; and (ii) no actions have been taken or threatened to be taken by any of the Financial Institutions in enforcing any of the CVT Guarantees against the Company.

Chengyu Vanadium and the Borrowers have further undertaken that they will continue to make progressive repayment and/or shall procure that the Loans be progressively reduced. More specifically, Chengyu Vanadium and the Borrowers have also signed a letter of undertaking to the Company (the “**2022 Letter of Undertaking**”) that they shall, on best effort basis, reduce the maximum guaranteed amounts to not more than RMB530.0 million by 31 December 2024 from the existing RMB730.0 million. The Company however notes that the progressive release of the CVT Guarantees is still subject to the final approval from the respective Financial Institutions.

Based on currently available information and after considering (i) the financial health of the Borrowers after reviewing their overall financial performance and position; (ii) the historical repayment of the Loans, including continual repayments of the rollover loans, have resulted in progressive reduction in the Loans; and (iii) to the best of the Directors’ knowledge, as at the Latest Practicable Date, no actions have been taken or threatened to be taken by any of the Financial Institutions in enforcing any of the CVT Guarantees against the Company, the Directors consider that the Borrowers are able and will be able to continue to repay the Loans progressively.

LETTER FROM THE BOARD

Implication and contingency measures in the event 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 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. While the existing obligations of the Company under the CVT Guarantees would subsist in accordance with the existing terms of the CVT Guarantees, the Company would not extend the CVT Guarantees on the ground of good corporate governance;
- (ii) in the event that the Financial Institutions are being informed of the non-continuity of the CVT Guarantees, the Financial Institutions may (a) withdraw approval for rollover of the Loans and require immediate repayments of the entire Loans from the Borrowers. As the Loans have been rolled over since their respective inception date on a continual basis while the Borrowers have been making progressive payments, it is thus unlikely that the Borrowers will be able to make immediate bullet payments of the entire Loans of RMB528.4 million which may thus result in the Financial Institutions taking legal actions against the Borrowers and the Company (under the CVT Guarantees). In such a case, the Borrowers will have to negotiate with the Financial Institutions to resolve the issues, agree on alternate repayment schedules and discuss related terms thereof; and
- (iii) if the abovementioned legal actions are initiated by the Financial Institutions against the Borrowers and the Company (under the CVT Guarantees), the Company will claim against Chengyu Vanadium for any loss sustained and sell the pledged inventories under the 2019 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 that will also eliminate the chances of engaging ongoing and fruitful discussions with the respective Financial Institutions for progressive release of the CVT Guarantees notwithstanding the Borrowers have been making gradual repayment of the Loans over the years. The 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 foster and maintain amicable business relationship with the respective Financial Institutions.

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 the guarantee is enforced such that the Company is liable for repayment of the Loans for the following reasons:

- (i) the inventories pledged by Chengyu Vanadium in favour of the Company amounted to RMB1,112.8 million as at 31 December 2021, pursuant to a valuation report issued by an independent valuer, which is (i) approximately 152.4% of the current maximum guaranteed amount of RMB730.0 million, and (ii) approximately 210.6% of the Loans of RMB528.4 million owed by the Borrowers to the Financial Institutions. As a result, the Directors consider that the value of the pledged inventories 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. As to be further discussed in the section headed “7. Internal control measures” below, the Group will engage independent professional valuer to perform annual valuation of the inventories pledged to ascertain its value, and would request Chengyu Vanadium to pledge additional inventories in the event their value falls below 1.25 times of the maximum guaranteed amounts, in accordance with the terms of the 2022 Counter Indemnity;
- (ii) Chengyu Vanadium has provided joint liability guarantee pursuant to the 2022 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;
- (iii) as aforementioned, Chengyu Vanadium and the Borrowers have undertaken to continue to make progressive repayment of the relevant loans and use their best endeavour to reduce the maximum guaranteed amounts from the existing RMB730.0 million to not more than RMB530.0 million by 31 December 2024. As a result, it is envisaged that the credit risks subject to by the Company would be correspondingly reduced as the outstanding Loans is progressively repaid going forward;
- (iv) the guarantee fees payable by the Borrowers to the Company under the Master Guarantee Agreement allows the Group to receive additional income to cover part of its corporate overheads in administering the Master Guarantee Agreement; and
- (v) the Company has obtained a confirmation from the auditor confirming that, after taking into account of 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.

LETTER FROM THE BOARD

In addition, the Company has assessed the latest financial performance and position of the Borrowers; and held meetings with the Financial Institutions together with key management of the Borrowers, which have helped the Company to understand that as at the Latest Practicable Date, there were (i) no indication that the Borrowers could face material difficulties in repaying the Loans progressively; and (ii) no actions have been taken or threatened to be taken by any of the Financial Institutions in enforcing any of the CVT Guarantees against the Company.

7. Internal control measures

To safeguard the interests of the Shareholders as a whole, the Company has adopted internal control measures relating to the transactions contemplated under the Master Guarantee Agreement and 2022 Counter Indemnity, which include the following:

- (i) the Borrowers will submit all the related loan details to the Company on a quarterly basis and the compliance department will report to the management of the Company in the event that there is any deviation from the basis as set out in the Master Guarantee Agreement, the management will then report to the Board during the quarterly audit committee meeting;
- (ii) the pledged inventories will be stored at a designated area by the Company or its designated third party, and shall not be replaced by Chengyu Vanadium with other inventories of equal value as substitute without the Company's prior consent;
- (iii) the Company will engage an independent professional valuer to perform physical sighting and to ascertain the market value of the inventories pledged under the 2022 Counter Indemnity at 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 as at the respective year end, as applicable. In addition, the Company will perform physical sighting on the pledged inventories every quarter, and procure the independent professional valuer to update the valuation of the pledged inventories every month. In the event the value of the pledged inventories is found to have fallen below 1.25 times of the maximum guaranteed amounts at the time, the Company will require Chengyu Vanadium to pledge further inventories 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

LETTER FROM THE BOARD

- (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 Master Guarantee Agreement and to ensure that, among other, such connected transactions are entered into in accordance with the terms set out in the Master Guarantee Agreement.

In view of the above, the Directors (other than the independent non-executive Directors whose opinion will be included in the circular after having been advised by the IFA) consider that the terms of the 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 conducting the transaction under the CVT Guarantees, the Company shall continue to comply with the annual review and disclosure requirements including publishing an announcement and annual reporting as required under Listing Rules 14A.60.

8. 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 in which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; and (ii) 32.5% owned by 15 individuals and one union. As at the Latest Practicable Date, none of such 15 individuals and/or union effectively owns more than 10% of the equity interests 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 Master Guarantee Agreement. Chengyu Vanadium is principally engaged in the manufacturing, processing and sales of structural steels and other self-produced products such as vanadium pentoxide.

LETTER FROM THE BOARD

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 15 individuals and one union. As at the Latest Practicable Date, none of such 15 individuals and/or union effectively owns more than 10% 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.

9. 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 Master Guarantee Agreement exceed 25%, the 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. (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 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

None of the Directors has a material interest in the transactions contemplated under the 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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder. The IFA has been appointed as the independent financial adviser 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 Wednesday, 29 June 2022 for the Independent Shareholders to consider and, if thought fit, approve the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Under the Listing Rules, all Shareholders who have a material interest in any of the transactions contemplated under the 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 of the Company, 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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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.

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 Thursday, 23 June 2022 to Wednesday, 29 June 2022 (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 Wednesday, 22 June 2022.

LETTER FROM THE BOARD

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 (i.e. at or before 10:30 a.m. on Monday, 27 June 2022 (Hong Kong time)) or any adjourned meeting 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. RECOMMENDATION

The Directors consider that the terms of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 in the terms 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 terms of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder are fair and reasonable. The IBC also considers that the terms of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder at the EGM.

V. ADDITIONAL INFORMATION

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

Yours faithfully

By order of the Board

China Vanadium Titano-Magnetite Mining Company Limited

Teh Wing Kwan

Chairman



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)

8 June 2022

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE ENTRY INTO MASTER GUARANTEE AGREEMENT**

We refer to the circular issued by the Company to the Shareholders and dated 8 June 2022 (“**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 Master Guarantee Agreement exceed 25%, the 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. As such, the transactions contemplated under the 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 INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board to consider the terms of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder are fair and reasonable and whether the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 EGM to approve the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Yu Haizong

Liu Yi

Wu Wen

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 in respect of Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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

8 June 2022

*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 – ENTRY INTO MASTER GUARANTEE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 8 June 2022 (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

On 30 July 2019, following the Disposal and pending completion of the release of the CVT Guarantees by the Financial Institutions, 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 Financial Institutions have informed Chengyu Vanadium and the Borrowers that they will only release the CVT Guarantees upon full repayment of the outstanding loans and thus, the Company has requested, and Chengyu Vanadium has agreed that the 2019 Counter Indemnity shall continue to remain 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 upon the full and final settlement are made and officially discharged by the respective Financial Institutions, the Company has (i) requested for the continuation of the 2019 Counter Indemnity in favour of the Company and (ii) required all the Existing CVT Guarantees Agreements be consolidated and combined into the Master Guarantee Agreement for the ease of administration. The Board is of the view that, for good corporate governance practice, the Company shall seek Independent Shareholders' approval every three years for this continuing connected transaction, as applicable.

On 16 May 2022 (after trading hours), the Company, the Borrowers and Chengyu Vanadium have entered into the Master Guarantee Agreement. Pursuant to the Master Guarantee Agreement and subject to the terms and conditions provided therein and the approval by the Independent Shareholders at the EGM, the Company has agreed to continue to provide the CVT Guarantees while Chengyu Vanadium has agreed to continue to provide the counter-indemnity in favour of the Company and the Borrowers have agreed to pay guarantee fees to the Company.

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 Master Guarantee Agreement exceed 25%, the 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. (Note: the transactions contemplated herein is not an acquisition by the Company).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in Chengyu Vanadium, which is in turn the holding company of the Borrowers. 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 Master Guarantee Agreement 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.

None of the Directors has a material interest in the transactions contemplated under the Master Guarantee Agreement, and therefore no Director is required to abstain from voting on the resolution regarding such transactions at the board meeting. The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi) has been formed to advise the Independent Shareholders in relation to the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder, in accordance with the Listing Rules. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

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 Independent Financial Adviser, 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) and the transactions contemplated thereunder, in accordance with the Listing Rules.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 ON 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 2019, 2020 and 2021, which are extracted from the Company's annual reports for the year ended 31 December 2020 (“**2020 Annual Report**”) and the year ended 31 December 2021 (“**2021 Annual Report**”).

	Year ended 31 December		
	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)²</i>	<i>(audited)</i>	<i>(audited)</i> <i>(Re-presented)¹</i>
<i>Continuing Operations</i>			
Revenue	714,760	488,135	517,637
Gross profit	24,662	46,587	40,530
Profit for the year from continuing operations	982	8,283	8,304
<i>Discontinued Operations</i>			
Profit/(loss) for the year from discontinued operations	6,616	(32,675)	52,083
<i>Group</i>			
Profit/(loss) for the year	7,598	(24,392)	60,387

Notes:

1. As at 31 December 2020, the Group's specialised mining services were classified as held for sale and as a discontinued operation and the comparative figures for the year ended 31 December 2019 have also been re-presented as a discontinued operation.
2. According to the 2021 Annual Report, the auditor of the Company issued a qualified opinion on the Group's consolidated financial statements in relation to Mancala Holdings Limited and its subsidiaries (the “**Mancala Australia Group**”) as the auditor of the Company has not been able to gain access to the accounting records of the Mancala Australia Group upon completion of its disposal and hence was unable to perform audit procedures that they consider necessary to obtain sufficient and appropriate audit evidence to satisfy themselves for the financial information of the Mancala Australia Group for the period from 1 January 2021 to the date of disposal. As such, the auditor of the Company was unable to determine whether any adjustments might be necessary in respect of the financial information of the Mancala Australia Group disclosed in the consolidated financial statements for the year ended 31 December 2021. For further details, please refer to the 2021 Annual Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2020 (“FY2020”)

According to 2020 Annual Report, revenue of the Group for the FY2020 was approximately RMB488.1 million, representing a decrease of approximately 5.7% as compared to approximately RMB517.6 million for the year ended 31 December 2019. Such decrease was mainly attributable to the combined effect of the (i) the decrease in production volume of approximately 7.4% due to the suspension of operations of the Group’s Maoling Mine for almost 3 months as a result of the travel restrictions and supply chain disruptions caused by the COVID-19 pandemic; (ii) the increase in average selling price of high-grade iron concentrates of approximately 5.7% amid strong demand recovery in the PRC and (iii) the Group’s purchase and sales volumes of steel trading activities were approximately 122.5 thousand tonnes, representing a rise of approximately 1.7% as compared to that for the year ended 31 December 2019, mainly due to boosted steel demand in China as a result of infrastructure spending that are driven by policies that aim to stimulate the economy. Despite the decrease in revenue, the Group recorded a higher gross profit of approximately RMB46.6 million as compared to approximately RMB40.5 million for the year ended 31 December 2019, mainly due to the higher profitability from the high-Fe mining operation.

As a result of the foregoing, the Group recorded a profit from continuing operations of approximately RMB8.3 million for the FY2020, which was relatively stable as compared to that for the year ended 31 December 2019. For the FY2020, the Group recorded a loss from discontinued operations as compared to a profit from discontinued operations for the year ended 31 December 2019, which was mainly due to (i) an impairment loss and operating loss of approximately RMB29.4 million and approximately RMB3.3 million, respectively, on the Group’s discontinued specialised mining services which largely attributable to the unfavourable geopolitical conditions, extreme economic pressures relating to the persistence of COVID-19 pandemic back then, and intermittent lockdown resulting from resurgence of COVID-19 cases in Australia; and (ii) the absence of one-off gain on the disposal of the low-Fe mining operation of approximately RMB153.0 million recorded for the year ended 31 December 2019.

Based on the above, the Group recorded a loss of approximately RMB24.4 million for the FY2020 as compared to a profit of approximately RMB60.4 million for the year ended 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2021 (“FY2021”)

According to 2021 Annual Report, revenue of the Group for the FY2021 was approximately RMB714.8 million, representing an increase of approximately 46.4% as compared to approximately RMB488.1 million for the FY2020. Such increase was mainly attributable to the (i) increase in average selling price for high-grade iron concentrates of approximately 32.6% mainly driven by the recovery in demand during the construction peak season, partially offset by the Chinese government’s clampdown against commodity speculators, notwithstanding the production volume fell by approximately 41.4% mainly due to temporary suspension of the Group’s operations at the Maoling Mine during the second half of June 2021 as a result of a landslide and temporary traffic control arrangements in Aba Prefecture between July and August 2021, which affected supply chain and production operations of the Maoling Mine; and (ii) increase in trading activities increased due to higher steel demand during the FY2021 as a result of the fiscal stimulus policies in China which saw higher infrastructure spending.

Despite the increase in revenue, the Group recorded a decrease in gross profit of approximately 47.1%, from approximately RMB46.6 million for the FY2020 to approximately RMB24.7 million for the FY2021, mainly due to falling commodity prices and higher unit production cost for high-grade iron concentrates mining operations.

As a result of the foregoing, the Group recorded a decrease in profit from continuing operations from approximately RMB8.3 million for the FY2020 to approximately RMB1.0 million for the FY2021. For the FY2021, the Group recorded a profit from discontinued operations of approximately RMB6.6 million as compared to a loss from discontinued operations for the FY2020 of approximately RMB32.7 million, which was mainly due to the net gain on disposal of the loss-making Mancala Australia Group of approximately RMB10.7 million, and partially offset by its net operating losses for the seven months ended 31 July 2021 (being the completion date of the said disposal) of approximately RMB4.1 million.

Based on the above, the Group recorded a profit for the year of approximately RMB7.6 million for the FY2021 as compared to a loss of approximately RMB24.4 million for the FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Financial position on the Group

	As at 31 December		
	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	915,436	913,733	944,738
Current assets	246,178	311,899	325,194
Current liabilities	133,562	284,828	313,247
Non-current liabilities	97,915	25,352	15,071
Equity attributable to owners of the Company	635,240	626,251	644,740

As at 31 December 2020, total assets of the Group amounted to approximately RMB1.23 billion, representing a slight decrease of approximately 3.5% from approximately RMB1.27 billion as at 31 December 2019. Such decrease was mainly due to the decrease in (i) property, plant and equipment as a result of the depreciation and impairment of discontinued operations recognised for the year of approximately RMB27.8 million; (ii) trade and bills receivable and (iii) amount due from related parties as a result of settlement. As at 31 December 2021, total assets of the Group further slightly decreased to RMB1.16 billion, mainly due to the total assets of the Mancala Australia Group were deconsolidated upon completion of disposal.

As at 31 December 2020, total liabilities of the Group amounted to RMB310.2 million as compared to approximately RMB328.3 million as at 31 December 2019. The decrease in total liabilities was mainly due to the decrease in current liabilities from approximately RMB313.2 million as at 31 December 2019 to approximately RMB284.8 million as at 31 December 2020 which was mainly due to (i) decrease in amount due to related parties attributable to settlement and (ii) decrease in trade payables. As at 31 December 2021, total liabilities of the Group further decreased to approximately RMB231.5 million, which was mainly due to the total liabilities of the Mancala Australia Group were deconsolidated upon completion of disposal.

As a result of the foregoing, the total equity attributable to the owners of the Company as at 31 December 2019, 2020 and 2021 amounted to RMB644.7 million, RMB626.3 million and RMB635.2 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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; and (ii) 32.5% owned by 15 individuals and one union. As at the Latest Practicable Date, none of such 15 individuals and/or union effectively owns more than 10% of the equity interests 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 Master Guarantee Agreement. Chengyu Vanadium is principally engaged in the manufacturing, processing and sales 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 15 individuals and one union. As at the Latest Practicable Date, none of such 15 individuals and/or union effectively owns more than 10% 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 its 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 its disposal on 30 July 2019).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. THE MASTER GUARANTEE AGREEMENT

2.1 Background of the Master Guarantee Agreement

On 16 May 2022 (after trading hours), the Company, the Borrowers and Chengyu Vanadium have entered into the Master Guarantee Agreement. Pursuant to the Master Guarantee Agreement and subject to the terms and conditions provided therein and the approval by the Independent Shareholders at the EGM, the Company has agreed to continue the CVT Guarantees while Chengyu Vanadium has agreed to continue to provide the counter-indemnity in favour of the Company and the Borrowers have agreed to pay guarantee fees to the Company.

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

In order to assess whether the entering into the 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:

Background of the CVT Guarantees

The Company had provided the CVT Guarantees in favour of the Financial Institutions in 2010, 2013 and 2014 respectively guaranteeing, *inter alia*, the indebtedness owing by the Borrowers (the then subsidiaries of the Group at the material time) to the Financial Institutions (including but not limited to the principal, interests, liquidated damages, compensation and other costs and expenses payable by the Borrowers) under the facilities granted by the Financial Institutions to the Borrowers with an aggregate maximum guaranteed amounts of RMB730.0 million. On 29 January 2019, Sichuan Lingyu entered into a sale and purchase agreement with Chengyu Vanadium in respect of the Disposal and in light of the CVT Guarantees given by the Company in favour of the Financial Institutions, each of the Borrowers and the Chengyu Vanadium agreed to procure the release of the CVT Guarantees within one year after the completion date on best effort basis in accordance with the said sale and purchase agreement. Upon the completion of the Disposal, the CVT Guarantees have thus become connected transactions under Chapter 14A of the Listing Rules. On 31 July 2019, the Company announced the completion of the Disposal and Huili Caitong and its subsidiaries ceased to be the subsidiaries of the Company.

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We understand from the management of the Company that since the completion of the Disposal, Chengyu Vanadium and Huili Caitong have had discussions with the Financial Institutions for the release of the CVT Guarantees. According to the announcement of the Company dated 29 July 2020, it took longer than expected time for the Financial Institutions to review the release of CVT Guarantees as cities in China were on lockdown for coronavirus outbreak containment in 2020 which delayed the discussions. As advised by the management of the Company, since then, Chengyu Vanadium and the Borrowers have continued to be in active discussions with the respective Financial Institutions in releasing the CVT Guarantees while the Borrowers have continued to repay the Loans and interests thereof over the past three years ended 31 December 2021. Despite the efforts placed by Chengyu Vanadium and the Borrowers, the Financial Institutions have recently expressed again that they require the total amounts owing by the Borrowers to the Financial Institutions to be fully repaid prior to releasing the CVT Guarantees, taking into consideration the slowing economy, prolonged market recovery and heightened credit risk under the current business environment in the PRC, including the spillover effects of the real estate debt risks, and any financial institutions in the PRC have, across the board, adopted a much more conservative approach in extending banking facilities for companies in various industries that they have reduced their credit exposure, required pledges of additional collateral and imposed higher loan-to-value and/or debt-service coverage ratios, which affected the willingness of the Financial Institutions in evaluating the release of the CVT Guarantees prematurely.

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The entering into the Master Guarantee Agreement is a continuation of the CVT Guarantees

The Loans were drawn by the Borrowers when the Borrowers were still subsidiaries of the Group to support their daily operation. Notwithstanding that the Borrowers have been using their best effort to negotiate with the Financial Institutions to release the CVT Guarantees and at the same time making progressive repayments of the Loans over the years and up to the Latest Practicable Date, it is however unlikely for the Borrowers to be able to make immediate bullet payments of the entire Loans of RMB528.4 million nor repaying the Loans within the next three years given the continuing working capital requirements of the Borrowers. As at the Latest Practicable Date, the principal amount of Loans remain outstanding amounted to approximately RMB528.4 million and the Borrowers will progressively repay the Loans in the coming three years. As such, the Group is obliged to continue the provision of the CVT Guarantees and will only be released until the full and final settlement are made and officially discharged by the respective Financial Institutions. In light of the aforesaid, it is the Company's intention to continue the CVT Guarantees by consolidating and combining the existing CVT Guarantees agreements into one Master Guarantee Agreement with an aim for easier administration, reference and execution as well as being an interim measure for the Borrowers to continue their best effort to negotiate with the Financial Institutions to release the CVT Guarantees.

Further, based on our discussion with the management of the Company and pursuant to the terms of the Master Guarantee Agreement, we are given to understand that the transactions contemplated under the Master Guarantee Agreement will only cover the Loans and hence no guarantees will be provided to the Borrowers by the Group in addition to the CVT Guarantees under the 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. As such, the management of the Company consider that the entering into the Master Guarantee Agreement is to facilitate administration and execution with reference to the continuation of the CVT Guarantees.

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The Master Guarantee Agreement further 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 Master Guarantee Agreement to continue the CVT Guarantees, to request from the Borrowers that the guarantee fees be paid to the Group as additional income in order to cover part of its corporate overheads in administering the 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 Master Guarantee Agreement:

	Existing arrangement under the CVT Guarantees	The Master Guarantee Agreement
Maximum contingent liabilities and potential claims under the CVT Guarantees	RMB730 million	RMB730 million
Guarantee fee	Nil	1.25% per annum on the maximum guaranteed amounts
Pledges under the respective counter indemnity	Structural steels and iron ores with market value sufficiently cover the maximum guaranteed amounts, with the market value of not less than RMB1,067 million as per the announcements of the Company dated 29 January 2019 and 29 July 2020, respectively	Structural steels and iron ores 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 (i.e. approximately RMB912.5 million as at Latest Practicable Date)

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Based on the table above, we note that (i) under the Master Guarantee Agreement, 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; (ii) under the Master Guarantee Agreement, the Group will receive guarantee fee as additional income from the Borrowers to cover part of its corporate overheads in administering the 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 Master Guarantee Agreement” below) while there was nil under the existing arrangement under the CVT Guarantees as it was entered into when the Borrowers were the then subsidiaries of the Group; and (iii) Chengyu Vanadium will pledge its inventories as security with market value sufficiently cover the maximum guaranteed amounts. In addition, as a good corporate governance practice, the Master Guarantee Agreement will be tabled for the Independent Shareholders’ approval, if applicable, every three years commencing from the date where the shareholder’s approval is obtained (instead of an unspecified period under the existing arrangement) until the Loans are fully repaid and the CVT Guarantees are released.

As such, the management of the Company consider that, on top of the existing agreement under the CVT Guarantee, the Company will, under the Master Guarantee Agreement, receive additional income to cover part of its corporate overheads in administering the Master Guarantee Agreement and provide a good corporate governance practices by seeking for the Independent Shareholders’ approval regularly and hence we concur with the view of the Directors that the entering into of the Master Guarantee Agreement can further safeguard the interests of the Company and the Shareholders as a whole.

Historical repayment records by the Borrowers

We have obtained, from the management of the Company, and reviewed the reports from the auditor of the Company confirming the balance of the Loans and/or confirmations from the Financial Institutions and are given to understand that the outstanding principal of the Loans has been progressively reduced from approximately RMB549.9 million as at 31 December 2019 to approximately RMB542.7 million as at 31 December 2020 and then further reduced to approximately RMB533.4 million as at 31 December 2021. In addition, as advised by the management of the Company, we are given to understand that as at the Latest Practicable Date, there are no actions have been taken or threatened to be taken by any of the Financial Institutions in enforcing any of the CVT Guarantees against the Company. Based on the aforesaid, we concur with the view of the Directors that the Borrowers have a good historical repayment records of the Loans over the past three years.

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We are given to understand that Chengyu Vanadium and the Borrowers have further undertaken that they will continue to make progressive repayment and/or shall procure that the Loans be progressively reduced. More specifically, Chengyu Vanadium and the Borrowers have also signed a letter of undertaking to the Company that they shall, on best effort basis, reduce the maximum credit exposure under the CVT Guarantees to at least RMB530.0 million by 31 December 2024 from the existing RMB730 million. In addition, we have obtained and reviewed, from the management of the Company, the unaudited management accounts of the Borrowers and note that the Borrowers (i) were profit making for the year ended 31 December 2021; (ii) recorded positive operating cashflow for the year ended 31 December 2021 and (iii) had an aggregate net assets values more than RMB1,500 million as at 31 December 2021 which is substantially higher than the Loans that remain outstanding as at the Latest Practicable Date. After taking into account (i) the repayment records in the past three years; and (ii) the overall financial performance and position of the Borrowers, we concur with the Directors' view that the Borrowers are able and will be able to continue to repay the Loans progressively.

After taking into consideration that (i) the Company had provided the CVT Guarantees in favour of the Financial Institutions in 2010, 2013 and 2014 respectively and upon the completion of the Disposal, the CVT Guarantees have become continuing connected transactions; (ii) despite on-going discussions with the Financial Institutions on the release of the CVT Guarantees following the completion of the Disposal, 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; (iii) it is the Company's intention to continue the CVT Guarantees by consolidating and combining the existing CVT Guarantees agreements into one Master Guarantee Agreement with an aim for easier administration, reference and execution; (iv) the Master Guarantee Agreement further safeguard the interests of the Company and the Shareholders as the Company will entitle guarantee fee to cover part of its corporate overheads in administering the Master Guarantee Agreement and will be adequately secured by the 2022 Counter Indemnity; and (v) historical repayment records by the Borrowers and no actions have been taken or threatened to be taken by any of the Financial Institutions in enforcing any of the CVT Guarantees against the Company as of the Latest Practicable Date, we concur with the Directors' view that although the entering into of the 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.

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2.3 Major terms of the Master Guarantee Agreement

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

Date : 16 May 2022 (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 2024

Major Terms

1. The Company shall continue the provision of the CVT Guarantees in favour of the Financial Institutions for a term from the Effective Date to 31 December 2024 (the “**Master Agreement Period**”), subject to a maximum aggregate guaranteed amount of RMB730.0 million, which is also the historical maximum guaranteed cap.
2. The CVT Guarantees extended by the Master Guarantee Agreement shall guarantee:
 - (a) the indebtedness owing by the Borrowers to the Financial Institutions under the CVT Guarantees; and
 - (b) any loans approved by the Financial Institutions for rollover under the extension of the indebtedness set out in (a) above from time to time, (collectively, the “**Loans**”)

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3. During the term of extension of the CVT Guarantees, the Borrowers shall:
 - (a) ensure that the aggregate of the principal amount of the Loans and the total interest for the Loans for the three years ending 31 December 2024 shall not exceed RMB601.0 million, being the total estimated liabilities round up to the nearest million of the Borrowers during the Master Agreement Period comprising (i) the principal amount of the Loans owing by the Borrowers to the Financial Institutions of approximately RMB533.4 million as at 31 December 2021 (the “**2021 Outstanding Principal**”) and (ii) the total estimated interest payable by the Borrowers for the Loans of approximately RMB67.0 million during the Master Agreement Period (the “**Total Interest**”), estimated based on the average historical interest rate of approximately 5.0% per annum; and
 - (b) pay an annual guarantee fee to the Company, calculated at 1.25% of the maximum guaranteed amounts, in accordance with the terms of the Master Guarantee Agreement. The guarantee fee shall start to accrue from the effective date of the Master Guarantee Agreement and the Borrowers shall pay such annual guarantee fee within 30 days after end of each calendar quarter from the effective date of the Master Guarantee Agreement.
4. On 16 May 2022, Chengyu Vanadium entered into the 2022 Counter Indemnity which shall cover the Company’s contingent liabilities and potential claims under the Master Guarantee Agreement, including (i) the sums actually payable by the Company with respect to the indebtedness 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 2022 Counter Indemnity; and (iii) any other costs which shall be borne by Chengyu Vanadium. Pursuant to the terms of the 2022 Counter Indemnity, Chengyu Vanadium shall provide counter-indemnity in favour of the Company by:
 - (a) pledging its inventories (structural steels and iron ores) as security for such counter-indemnity. The market value of this security shall not be less than 1.25 times of the maximum guaranteed amounts under the Master Guarantee Agreement. The value of the inventories pledged amounted to RMB1,112.8 million as at 31 December 2021, as supported by a valuation report issued by an independent valuer; and
 - (b) providing a 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.

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

Obligation of the Group under the Master Guarantee Agreement

Pursuant to the terms of the Master Guarantee Agreement, the Company shall continue to provide the CVT Guarantees in favour of the Financial Institutions during the Master Agreement Period and the CVT Guarantees continued by the Master Guarantee Agreement shall guarantee the Loans.

Based on our discussion with the management of the Company, we are given to understand that during the negotiations of the terms of the Master Guarantee Agreement with the Borrowers and Chengyu Vanadium, it is mutually agreed that no new loans will be raised by the Borrowers that are subject to the CVT Guarantees, other than the rollover of the existing Loans. As such, it is the intention of the Company to impose a cap on the balance of the Loans to restrict the Borrowers to raise new loans that are subject to the CVT Guarantees. Pursuant to the terms of the Master Guarantee Agreement, during the term of the Master Agreement Period, the Borrowers shall ensure that the aggregate of the principal amount of the Loans and the total interest for the Loans for the three years ending 31 December 2024 shall not exceed RMB601.0 million, which are calculated based on (i) the principal amount of the Loans owing by the Borrowers to the Financial Institutions of RMB533.4 million as at 31 December 2021 and (ii) the total estimated interest payable by the Borrowers for the Loans of approximately RMB67.0 million during the Master Agreement Period, which we consider the inclusion of such cap to restrict balance of the Loans is justifiable and in the interests of the Company and the Shareholders as a whole.

Assessment on the guarantee fee

Pursuant to the terms of the Master Guarantee Agreement, during the Master Agreement Period, the Borrowers shall pay an annual guarantee fee to the Company, calculated at 1.25% of the maximum guaranteed amounts. The guarantee fee shall start to accrue from the Effective Date and the Borrowers shall pay such annual guarantee fee within 30 days after end of each calendar quarter. For illustrative purpose, it is expected that the Group will receive approximately RMB9.1 million per annum as guarantee fee income assuming the maximum guarantee amounts is to remain at RMB730.0 million during the Master Agreement Period. As stated in the Letter from the Board, 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 of publicly listed companies in Hong Kong and (ii) the quantum of the maximum guaranteed amounts.

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In order to assess the fairness and reasonableness of the guarantee fee, we have 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 16 May 2022, being the date of the Master Guarantee Agreement (the “**Comparable Guarantees**”). We have, on a best effort basis, identified an exhaustive list of 23 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 the Hong Kong listed companies involved in the Comparable Guarantees, therefore, the Comparable Guarantees are only used to provide a general reference for the common market practice in similar guarantee arrangements entered into by Hong Kong listed companies. Details of the Comparable Guarantees are summarised as follows:

Date of announcement	Company name	Stock code	Guarantee amount	Guarantee fees	Connected transactions (Y/N)
11-May-22	Beijing Beida Jade Bird Universal Sci-Tech Company Limited	8095	RMB50 million	nil	N
29-Apr-22	China Oil and Gas Group Limited	603	RMB200 million	nil	N
27-Apr-22	Beijing Capital Grand Limited	1329	RMB1,350 million	0.7% per annum of the balance of the actual total principal amount drawn down	Y
20-Apr-22	E-Commodities Holdings Limited	1733	RMB160 million	nil	Y
13-Apr-22	Beijing Beida Jade Bird Universal Sci-Tech Company Limited	8095	RMB50 million	nil	N
13-Apr-22	CSSC (Hong Kong) Shipping Company Limited	3877	US\$267.6 million in aggregate	nil	N
12-Apr-22	China Oil and Gas Group Limited	603	RMB120 million	nil	N
31-Mar-22	China Oil and Gas Group Limited	603	RMB100 million	nil	N
25-Mar-22	Kong Sun Holdings Limited	295	RMB407.3 million	nil	N
9-Mar-22	UNQ Holdings Limited	2177	RMB61.1 million	nil	N
31-Jan-22	Sundy Service Group Co. Ltd	9608	RMB150 million	4% for any amount of guarantee provided	Y
22-Jan-22	China Risun Group Limited	1907	RMB84.4 million	RMB122,000 (i.e. 0.14% on the guarantee amount)	N
4-Jan-22	Sheng Ye Capital Limited	6069	RMB3.3 billion	0.5% per annum of the weighted average balance of guaranteed debt principal utilised	Y

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Date of announcement	Company name	Stock code	Guarantee amount	Guarantee fees	Connected transactions (Y/N)
28-Dec-21	Jiangxi Copper Company Limited	358	RMB1,600 million	nil	Y
28-Dec-21	Legend Holdings Corporation	3396	RMB300 million	0.1% in respect of the actual loan amounts being drawn	Y
15-Dec-21	China Petroleum & Chemical Corporation	386	USD2.8 billion	nil	N
8-Dec-21	China Molybdenum Co., Ltd	3993	RMB383 million	nil	Y
6-Dec-21	Maoye International Holdings Limited	848	RMB50 million	nil	N
3-Dec-21	China Molybdenum Co., Ltd	3993	RMB376 million	nil	Y
1-Dec-21	China Molybdenum Co., Ltd	3993	RMB185 million	nil	Y
22-Nov-21	China Sandi Holdings Limited	910	RMB260 million	nil	N
22-Nov-21	Shanghai Industrial Urban Development Group Limited	563	RMB196 million	nil	N
17-Nov-21	China Risun Group Limited	1907	RMB750.1 million	RMB3.143 million (i.e. 0.42% on the guarantee amount)	N
				Average	0.23
				Max	4.0
				Min	0.0
	The Company		RMB730 million	1.25% per annum on the maximum guaranteed amounts	

As illustrated in the table above, the guarantee fees charged on the amount guaranteed by the Comparable Guarantees ranged from nil to 4.0% per annum, with an average guarantee fee rate of approximately 0.23% 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 average of the Comparable Guarantees. We therefore consider the guarantee fees charged by the Group for the provision of the CVT Guarantees is fair and reasonable.

The 2022 Counter Indemnity

As part of the Master Guarantee Agreement, Chengyu Vanadium shall provide the 2022 Counter Indemnity in favour of the Company which includes (i) pledging its inventories (comprising structural steel and iron ore) as security for such counter-indemnity. The market value of this security shall not be less than 1.25 times of the maximum guaranteed amounts; and (ii) providing a 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the pledge of Chengyu Vanadium's assets as security under the 2022 Counter Indemnity, we understand that it will consist of structural steels and iron ores which can be used for the Group's trading business if the 2022 Counter Indemnity is enforced. Further, we have obtained and reviewed the valuation report of the pledged inventories and understand that as at 31 December 2021, the market value of the pledged inventories amounted to approximately RMB1,112.8 million which is higher than 1.25 times of the maximum guaranteed amounts (i.e. approximately RMB912.5 million as at Latest Practicable Date). Taking into consideration that (i) the CVT Guarantee will be protected by the 2022 Counter Indemnity with an amount higher than that of the maximum guaranteed amounts (i.e. the market value of the security shall not be less than 1.25 times of the maximum guaranteed amounts); (ii) should the 2022 Counter Indemnity is enforced, the inventories (comprising structural steels and iron ores) pledged by the Chengyu Vanadium can be used for the Group's trading business; and (iii) a 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, we are of the view that the 2022 Counter Indemnity 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 balance of Loans are restricted to not more than RMB601.0 million, being (a) the principal amount of the Loans owing by the Borrowers to the Financial Institutions as at 31 December 2021 and (b) the total estimated interest payable by the Borrowers for the Loans during the Master Agreement Period; (ii) the guarantee fee charged by the Group is within the range and above the average of the Comparable Guarantees; (iii) the 2022 Country Indemnity provided by Chengyu Vanadium, which would mitigate the Company's risk exposure under the CVT Guarantees as well as safeguarding the interests of the Company and the Shareholders as a whole, we concur with the Directors' view that the terms of the Master Guarantee Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.5 Proposed Guarantee Annual Caps

The proposed Guarantee Annual Caps are as follows:

Period	Guarantee Annual Caps RMB' million
From the Effective Date to 31 December 2022	730.0
From 1 January 2023 to 31 December 2023	730.0
From 1 January 2024 to 31 December 2024	730.0

The above proposed Guarantee Annual Caps has been determined after taking into account of the followings:

1. the historical maximum guaranteed amounts which were legally bound to the Financial Institutions 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. the total estimated liabilities of the Borrowers during the Master Agreement Period comprising the 2021 Outstanding Principal and the Total Interest, which shall continue to fall within the maximum guaranteed amounts of the CVT Guarantees;

As set out in the Letter from the Board, for each of the three years ended 31 December 2019, 2020 and 2021, the maximum guaranteed amounts historically provided by the Company to the Financial Institutions under the CVT Guarantees was RMB730.0 million.

As discussed above in paragraph “2.2 Reasons for and benefits of the entering into the 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 negotiations with the Financial Institutions for progressive release of the CVT Guarantees are still ongoing amidst the current business environment in the PRC. As such, the Group is still required to provide the CVT Guarantees with the maximum amount of RMB730 million despite the outstanding principal of the Loans is expected to fall over the three years ending 31 December 2024 as a result of progressive repayment by the Borrowers.

In light of the above, we are of the view that the Guarantee 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.6 Internal Control Policies

We have obtained and reviewed the Company's written internal control measures for the purpose of the Master Guarantee Agreement. Set out below are the internal control measures imposed by the Group in order to safeguard the interests of the Company and the Shareholders as a whole:

- (i) the Borrowers will submit all the related loan details to the Company on a quarterly basis and the compliance department will report to the management of the Company in the event that there is any deviation from the basis as set out in the Master Guarantee Agreement, the management will then report to the Board during the quarterly audit committee meeting;
- (ii) the pledged inventories will be stored at a designated area by the Company or its designated third party, and shall not be replaced by Chengyu Vanadium with other inventories of equal value as substitute without the Company's prior consent;
- (iii) the Company will engage an independent professional valuer to perform physical sighting and to ascertain the market value of the inventories pledged at end of each calendar year and to ensure that such market value shall not be lower than 1.25 times of the maximum guaranteed amounts as at the respective year end, as applicable. In addition, the Company will perform physical sighting on the pledged inventories every quarter, and procure the independent professional valuer to update the valuation of the pledged inventories every month. In the event the value of the pledged inventories is found to have fallen below 1.25 times of the maximum guaranteed amounts at the time, the Company will require Chengyu Vanadium to pledge further inventories 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 will conduct an annual review of the transactions entered into under the Master Guarantee Agreement and to ensure that such connected transactions are entered into in accordance with the terms set out in the Master Guarantee Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 in relation to the market value of the inventories pledged as at 31 December 2021 and noted that the market value is higher than the maximum guaranteed amounts under the CVT Guarantees (i.e. RMB730 million); and (iii) reviewed the 2021 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 2021 were entered into in accordance with the terms set out in the CVT Guarantees.

Based on the above, we concur with the Directors' view that the internal control measures are sufficient in place to ensure the transactions contemplated under the 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 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 Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Master Guarantee Agreement (together with the Guarantee Annual Cap(s)) 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 14 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 2019, 2020 and 2021, 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 2019 of the Company for the 12 months ended 31 December 2019 published on 24 April 2019 (pages 93 to 247);
- the Annual Report 2020 of the Company for the 12 months ended 31 December 2020 published on 15 April 2021 (pages 97 to 245); and
- the Annual Report 2021 of the Company for the 12 months ended 31 December 2021 published on 22 April 2022 (pages 97 to 242).

2. INDEBTEDNESS STATEMENT

As at 30 April 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings amount to approximately RMB97.9 million, analysed into following:

Borrowings

	Within one year or on demand RMB'000
Bank loans – secured	74,612
Other borrowings – unsecured	<u>23,283</u>
	<u><u>97,895</u></u>

Lease liabilities

As at 30 April 2022, the Group had lease liabilities of approximately RMB2.7 million which were secured by rental deposits and unguaranteed.

Guarantees

As at 30 April 2022, the maximum guaranteed amounts under the CVT Guarantees was RMB730.0 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.

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 30 April 2022, 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 30 April 2022 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 2021, 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 of 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

In 2021, China's GDP growth stabilised at the end of the year and monetary policy stance has been eased which aims to offer some calm in a volatile market condition. The Chinese government has further signalled its willingness to deploy more for fiscal support in its switch and flexible monetary policy for an economy that could slow down amidst China's strict 'zero-Covid' approach, real estate debts crisis and tech crackdown. Against this backdrop, China's GDP in 2022 is expected to decelerate reflecting multiple headwinds ahead. More recently, we have seen the largest city-wide lockdown in Shanghai and Beijing under its strict 'zero-Covid' policy.

The Group had previously updated that it would (i) expand the production capacity for the less-polluting and higher-margin iron concentrates (with at least 70% TFe) in view of China's anti-pollution measures and the rising demand for sustainable use of resources. This growth initiative will involve some form of capital investments in licensing process, mines exploration, additional environmental compliance, modification and upgrading of existing production facilities and major mining engineering works; and (ii) segregate the mining facilities management activities from its upstream mining operations in order to sharpen its focus towards developing environmentally responsible practices which could also potentially allow the Group to diversify for additional revenue streams should opportunities arise as facilities management continues to hold an increasingly important and integral role in other industries and sectors.

While the Group has progressively implemented the above operational strategies, the strict COVID-19 related restrictions in China may continue to disrupt supply chain and cause uneven business recovery given the previous and ongoing major supply chain disruptions, which may further delay the Group's expansion plans and execution of its growth strategies. At the same time, risks and signs of resurgence of viral infections amidst China's zero-COVID stance are closely monitored and the Group will adjust its strategies if required. Despite the recent increased level of uncertainty, the long-term fundamentals of China's economic growth remain the essence of the Group's focused strategies, reflecting its confidence on the resilience of China's economy amidst challenges posed by the pandemic.

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 Master Guarantee Agreement, will not have any net material financial impact on the earnings, assets and liabilities of the Group, except that (i) the Master Guarantee Agreement will be measured, recognized and recorded in accordance to International Financial Reporting Standard 9 – Financial Instruments; and (ii) the guarantee fees income will be recognised based on 1.25% of the maximum guaranteed amounts (i.e. approximately RMB9,125,000 annually on the basis of the current maximum guaranteed amounts of RMB730.0 million. In the event of reduction of maximum guaranteed amounts, e.g. due to progressive repayment of loans by the Borrowers, the amount of guarantee fees income will be reduced accordingly). In the event the guarantees under Master Guarantee Agreement become enforceable, the liabilities of the Company are likely being covered by the 2022 Counter Indemnity and hence it is not expected that the enforcement of the 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, the interests and short positions of the Directors and chief executives of the Company 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 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, are as follows:

Long positions in share options granted by the Company

Number of share options held by the Directors and chief executives of the Company as at the Latest Practicable Date:

Name	Capacity	Number of share options held	Number of underlying Shares	Percentage of the Company's issued share capital
Mr. Jiang Zhong Ping	Beneficial owner	8,500,000	8,500,000	0.38%
Mr. Wang Hu	Beneficial owner	800,000	800,000	0.04%
Mr. Hao Xiemin	Beneficial owner	100,000	100,000	0.00% [#]
Mr. Yu Haizong	Beneficial owner	100,000	100,000	0.00% [#]
Mr. Liu Yi	Beneficial owner	100,000	100,000	0.00% [#]

[#] Less than 0.01%

Save as disclosed above, 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 2021 (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 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 & 6	–	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 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
Mr. Shi Yinjun	1 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
Mr. Zhang Yuangui	1 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
Long Sino International Limited	2, 3 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
Mr. Zou Hua	3, 4 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
Ms. Jiang Hua	4 & 5	–	1,006,754,000	–	1,006,754,000	44.76%
四川信託有限公司		–	–	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.
- The issued share capital of Kingston Grand is 100% held by Long Sino International Limited.
- The issued share capital of Long Sino International Limited is 100% held by Mr. Zou Hua.
- Ms. Jiang Hua is the spouse of Mr. Zou Hua.

5. As at 31 December 2021, 1,006,754,000 Shares were held by Trisonic International. Since Trisonic International, Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua were parties acting in concert, each of Kingston Grand, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun and Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua was deemed to be interested in 1,006,754,000 Shares held by Trisonic International.
6. 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.

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 2021, 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 Master Guarantee Agreement, the 2022 Counter Indemnity and the contract disclosed herein below, 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:

- (a) the sale and purchase agreement dated 30 June 2021 and entered into between the Company and PT. Hay Wei Feng Yuan Mining in relation to the disposal of 81% of the issued shares of Mancala Holdings Limited by the Company to PT. Hay Wei Feng Yuan Mining.

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 during the period of 14 days from the date of this circular:

- (a) 2022 Counter Indemnity;
- (b) 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 26 to 49 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 KYI-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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. Chong Eng Wee. Mr. Chong is the managing director and heads the corporate & capital markets practice at Chevalier Law LLC 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 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) on Wednesday, 29 June 2022 for the purposes of considering and, if thought fit, approve the following ordinary resolution. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 8 June 2022 (the “**Circular**”).

ORDINARY RESOLUTION

1. “**THAT** the 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 Master Guarantee Agreement and the transactions contemplated thereby.”

By order of the Board of

China Vanadium Titano-Magnetite Mining Company Limited

Teh Wing Kwan

Chairman

Hong Kong, 8 June 2022

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

NOTICE OF EGM

Head office and principal place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the extraordinary general meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder. The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights to attend and vote at the extraordinary general meeting, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Board would like to encourage the Shareholders to appoint the chairman of the extraordinary general meeting as their proxy to attend and vote on their behalves at the extraordinary general meeting (or any adjournment thereof).
2. In order to be valid, a proxy form and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at 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 not less than 48 hours before the time fixed for holding the meeting (i.e. not later than Monday, 27 June 2022 at 12:00 p.m. (Hong Kong time)) or any adjournment thereof.
3. Delivery of the proxy form will not preclude a Shareholder from attending and voting in person at the meeting convened and, in such event, the proxy form shall be deemed to be revoked.
4. In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the meeting, 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 registered holders be present at the meeting, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint shareholding.
5. The register of members of the Company will be closed from Thursday, 23 June 2022 to Wednesday, 29 June 2022 (both days inclusive) during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the extraordinary general meeting, 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 Wednesday, 22 June 2022.
6. Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the extraordinary general meeting arrangements at short notice. Shareholders should check the Company's website at www.chinavtmmining.com for future announcements and updates on the extraordinary general meeting arrangements.
7. In the event of any inconsistency, the English version of this notice shall prevail over the Chinese version.