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## **CNNC INTERNATIONAL LIMITED**

**中核國際有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2302)**

### **(1) VERY SUBSTANTIAL DISPOSAL OF THE ENTIRE INTEREST IN UNITED NON-FERROUS (OVERSEAS) LIMITED AND (2) RESUMPTION OF TRADING**

On 7 May 2011, the Company entered into the Agreement with, amongst others, the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares at the consideration of HK\$159,000,000, subject to the terms and conditions of the Agreement.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders at the EGM.

An EGM will be convened for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder (including without limitation the Disposal).

A circular containing, amongst other things, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing and finalising the information to be contained in the circular, including without limitation, the pro forma income statement, balance sheet, cash flow statement and working capital statement of the Group (other than the Disposal Target Group), it is expected that the circular will be despatched on or before 15 June 2011.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 9 May 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 1:30 p.m. on 17 May 2011.

## **THE AGREEMENT**

Summarised below are the principal terms of the Agreement:

**Date:** 7 May 2011

**Parties:**

- (1) The Company, as vendor;
- (2) the Purchaser;
- (3) Mr. Tsang, as co-guarantor with Mr. Kong for the Purchaser's performance of its obligations under the Agreement and the transactions contemplated thereunder; and
- (4) Mr. Kong, as co-guarantor with Mr. Tsang for the Purchaser's performance of its obligations under the Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) and the Guarantors are third party independent of the Company and not its connected persons (as defined under the Listing Rules).

**Assets to be disposed of**

The Sale Shares to be disposed of by the Company represent the entire issued share capital of the Disposal Target.

As at the date of this announcement, the Disposal Target is a direct wholly-owned subsidiary of the Company.

**Consideration**

The Consideration shall be HK\$159,000,000 and shall be paid by the Purchaser to the Company in the following manner:

- (a) 50% of the Consideration, being HK\$79,500,000, shall be paid at Completion;
- (b) 25% of the Consideration, being HK\$39,750,000, shall be paid on or before (i) the completion (including any registration, filing, approval or other formalities in connection therewith) of the changes of the sole shareholder of the Disposal Target, the director(s), secretary (if any), legal representative (if any) and officer(s) (if any) of each Disposal Target Group Company (except for the Shanghai Co.) and the authorities relating to bank accounts (if any) of each Disposal Target Group Company in each case as required in the Agreement; or (ii) 15 November 2011, whichever shall be later; and
- (c) the remaining balance of the Consideration, being HK\$39,750,000, shall be paid on or before (i) the 7th Business Day after the Shanghai Co. having been liquidated and all monies standing in the bank accounts of the Shanghai Co. (including the full amount of the consideration under the Land Disposal Agreement received by the Shanghai Co.) but net of expenses having been remitted to the bank account in Hong Kong of United Metals Company Limited, a subsidiary of the Disposal Target, or (ii) 15 November 2011; or (iii) the completion (including any registration, filing, approval or other formalities in connection therewith) of the sole shareholder of the Disposal Target, the director(s),

secretary (if any), legal representative (if any) and officer(s) (if any) of each Disposal Target Group Company (except for the Shanghai Co.) and the authorities relating to bank accounts (if any) of each Disposal Target Group Company in each case as required in the Agreement, whichever shall be later. The monies standing in the bank accounts of the Shanghai Co. and United Metals Company Limited will remain as part of the assets of the Disposal Target Group and will not be remitted back to the Group (other than the Disposal Target Group).

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser by reference to (i) the valuation amount of the Disposal Target at HK\$159,000,000 as stated in the independent valuation report of the Disposal Target as at 31 December 2010 prepared by Greater China Appraisal Limited, an independent valuer, and (ii) the unaudited consolidated net asset value of approximately HK\$159,313,000 of the Disposal Target as at 31 December 2010.

### **Conditions**

Completion of the sale and purchase of the Sale Shares under the Agreement is conditional upon fulfilment of the following conditions:

- (a) the Agreement and the transactions contemplated thereunder (including the transactions contemplated under the Termination Deeds if required) having been approved by the Shareholders in accordance with the requirements of the Listing Rules; and
- (b) the current listing of the Shares not having been withdrawn at, on or as a result of the sale and purchase of the Sale Shares to the Purchaser and the Shares continuing to be traded on the Stock Exchange prior to the Completion Date (save for any temporary suspension in connection with transactions contemplated under the Agreement) and the Stock Exchange not having indicated that it will object to the listing status of the Company as a result of or arising from the transactions contemplated under the Agreement.

If the above conditions shall not be fulfilled on or before the Long-stop Date, the Agreement shall be terminated with effect from the Long-stop Date and of no further force and effect without any liability on any party and the parties shall not have any claim or demand against any of the other parties under the Agreement or arising from the termination thereof.

### **Completion**

Subject to the fulfilment of all conditions of the Agreement, completion of the sale and purchase of the Sale Shares shall take place on the 14th day from and excluding the day on which the last of the conditions have been fulfilled pursuant to the terms of the Agreement (or such other date as the Company and the Purchaser may agree in writing).

It is one of the requirements at Completion that the Company and the respective Guarantors will enter into the respective Termination Deeds to terminate the Tsang Service Agreement and the Kong Service Agreement (as the case may be). The major terms of the Tsang Service Agreement and the Kong Service Agreement had been disclosed in the Company's announcement dated 23 June 2008 ("**Previous Announcement**").

Under the respective Tsang Service Agreement and the Kong Service Agreement, among other things, both Mr. Tsang and Mr. Kong have guaranteed to the Company that the Consolidated NAV (as defined in the Previous Announcement) as at the Guaranteed Date (as defined in the Previous Announcement) shall not be less than the Guaranteed Sum (as defined in the

Previous Announcement) of HK\$189,674,000. The Guaranteed Date is the last day of the Initial Term (as defined in the Previous Announcement). The Previous Announcement disclosed that the Initial Term was a fixed term of 24 months commencing from the Effective Date of Resignation (as defined in the Previous Announcement), provided that such initial fixed term shall end on or before 31 December 2010. As the Effective Date of the Resignation was 3 December 2008 (which was disclosed in the Company's announcement dated 3 December 2008), the last day of the Initial Term (and hence the Guaranteed Date) would be 2 December 2010. As at the Guaranteed Date, the Consolidated NAV fell short of the Guaranteed Sum by HK\$30,748,000. As such, each of Mr. Tsang and Mr. Kong has made payments to the Company in respect of 50% of such shortfall of the Guaranteed Sum pursuant to the Tsang Service Agreement and the Kong Service Agreement. Accordingly, as at the date of this announcement, Mr. Tsang and Mr. Kong's payment obligation in respect of the shortfall of the Guaranteed Sum has been fulfilled. The Tsang Service Agreement and the Kong Service Agreement (both dated 5 November 2008) have been extended to 31 May 2011 by the Tsang Supplemental Service Agreement and the Kong Supplemental Service Agreement. By reason of the Disposal, the Tsang Service Agreement and the Kong Service Agreement will be terminated by the Termination Deeds to be entered into at Completion whereupon, amongst others, (i) the payment obligations of each of Mr. Tsang and Mr. Kong to the Company in respect of the amount (if any) of the consolidated net asset value of the Disposal Target at, amongst others, the last working day of Mr. Tsang and Mr. Kong calculated pursuant to the terms of the Tsang Service Agreement and the Kong Service Agreement that falls short of HK\$158,926,000; (ii) all obligations and liabilities of the Guarantors in respect of the warranties under the Tsang Service Agreement and the Kong Service Agreement; and (iii) the Company's payment obligations to each of Mr. Tsang and Mr. Kong in respect of the management bonus (in the case where the Disposal Target Group has any adjusted consolidated net profit of the Disposal Target at, amongst others, the last working day of Mr. Tsang and Mr. Kong calculated pursuant to the terms of the Tsang Service Agreement and the Kong Service Agreement) shall be terminated and waived.

If Completion does not take place and the Agreement is not terminated in accordance with the terms of this Agreement on or before 31 May 2011, the Company and the Guarantors shall extend the term of the Kong Service Agreement and the Tsang Service Agreement on the same terms and conditions until 14 September 2011.

## **INFORMATION ON THE DISPOSAL TARGET GROUP**

The Disposal Target is a direct wholly-owned subsidiary of the Company established in the BVI. The Disposal Target is an investment holding company which holds 100% shareholding interests in the Disposal Target Group. The Disposal Target Group principally engages in the production and trading of metal die-casting products.

Set out below is the financial information of the Disposal Target Group for the two years ended 31 December 2009 and 31 December 2010 respectively which was prepared in accordance with the generally accepted accounting principles of Hong Kong/Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2009 <i>HK\$'000</i> <i>(Unaudited)</i>	<b>For the year ended 31 December 2010 <i>HK\$'000</i> <i>(Unaudited)</i></b>
Net (loss)/profit before taxation and extraordinary items	(19,557)	<b>1,421</b>
Net (loss)/profit after taxation and extraordinary items	(19,691)	<b>1,025</b>
Net assets	156,213	<b>159,313</b>
Total assets	194,767	<b>200,083</b>

The Disposal Target Group generated all the revenue of the Group for the two years ended 31 December 2009 and 31 December 2010.

#### **POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL**

Upon completion of the Disposal, the Disposal Target Group will cease to be subsidiaries of the Company and its accounts will not be consolidated into the Company's financial statements.

Based on the value of the Disposal Target Group as set out in the section headed "Information on the Disposal Target Group" above, it is expected that the Company will incur a loss before expenses from the Disposal of approximately HK\$313,000 which represents the difference between the Consideration and the net assets value of the Disposal Target Group of approximately HK\$159,313,000 as at 31 December 2010. As at 28 February 2011, the unaudited net asset value of the Disposal Target Group amounted to approximately HK\$156,670,000.

#### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As at the date of this announcement, the Group is principally engaged in (i) the manufacture and distribution of die casting parts; and (ii) the exploration and trading of mineral properties.

The Disposal Target Group incurred losses in 2009, and despite the improved die-casting market in 2010, the net profit after taxation and extraordinary items amounted to approximately HK\$1,025,000 was arrived after the receipt of insurance compensation for the claim of damages arising from the flooding in 2008 of approximately HK\$3,100,000. The business outlook of the Disposal Target Group is overshadowed by the raw material prices hikes, domestic labour shortages and wages surges. The management considers that the Disposal represents a good opportunity for the Group to realize the Disposal Target Group, which has been incurring operating losses for the past two years and a poor business outlook. The Disposal will enable the Group to better utilize and redeploy the Group's resources to improve its balance sheet and liquidity position.



The Directors (including the independent non-executive Directors) believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

## **FOLLOWING COMPLETION OF THE DISPOSAL AND FUTURE BUSINESS PLAN**

Following completion of the Disposal, the Group (other than the Disposal Target Group) will continue to engage in the exploration and trading of mineral properties. The segment assets of the exploration and trading of mineral properties amounted to approximately HK\$964,307,000 at 31 December 2010. The two existing uranium projects, one in Mongolia and another one with 37.2% ownership in Niger, held by the Group are in their initial stages, through which the uranium segment is destined to endow shareholders with substantial returns upon maturity.

### **(i) Mongolia Project**

In June 2009, the Group acquired 69.5% equity of Western Prospector Group Ltd. (“**Western Prospector**”) and in August 2009, the Group acquired the remaining 30.5% of Western Prospector. Western Prospector is principally engaged in the acquisition, exploration and development of mineral properties. Western Prospector’s mineral property interests, consisting of various uranium exploration licenses of uranium property projects located in Mongolia. All the exploration works have been completed in 2010.

The Group expects to finalize the negotiations with the Mongolian Government for the issuance of mining licenses of such uranium property in 2011. Construction work is expected to commence in 2012. Trial runs for production are expected to commence in 2014. Based on the Group’s experience, expertise and technology in the exploration and development of mineral properties and the current conditions of the said uranium mine, the Group expects that the most efficient and economical production for 2015, 2016 and 2017 may achieve approximately 300 tonnes, 500 tonnes and 700 tonnes respectively. The current market price for 1 tonne of uranium product is approximately HK\$1,146,000.

### **(ii) Niger Project**

In March, 2010, the Group acquired 37.2% equity interests in Société des Mines d’Azelik S.A., the registered holder of a mining license for a uranium ore mine located in the Agadez region of the Tchirozerine department of Niger. The construction of the said uranium mine has been substantially completed and trial production runs had commenced in 2010 and the full production has commenced in 2011. Based on the Group’s experience, expertise and technology in the exploration and development of mineral properties and the current conditions of the said uranium mine, the Group expects that the most efficient and economical production for 2011, 2012 and 2013 may achieve approximately 300 tonnes, 500 tonnes and 700 tonnes respectively.

### **(iii) Uranium products trading**

In September 2010, through a wholly owned subsidiary, the Company has acquired 300 tonnes of uranium products for approximately HK\$278,684,000 which are still held by the Company. Since the Company’s acquisition of the uranium products, the market price for uranium products has increased by more than 23%. The Company is looking for good opportunities to maximize the returns through trading of the uranium products.

The Group will continue to identify uranium resources leveraging projects and engage in uranium products trading business when good opportunity arises.

The Company is currently not required by law to conduct any updates of the amount of uranium resources and reserves, and hence, has not conducted any updates of the amount of uranium resources and reserves since the Company's acquisition of the Mongolia project and the Niger project.

As at 31 December 2010, the total asset value of the Group based on the audited financial statements of the Company excluding the value attributable to the Disposal Target was approximately HK\$991,097,000. Considering the business plan and the update of the Group above, the Company considers that it has tangible assets of sufficient value to warrant the continued listing of its securities on the Stock Exchange as required by Rule 13.24 of the Listing Rules.

## **USE OF PROCEEDS**

The proceeds from the Disposal, after deducting any related expenses, will be applied in the exploration and trading of uranium resources. The Group will continue to engage in its uranium product trading business which was commenced in 2010. The Group will look for opportunities and invest in overseas uranium resources business to serve the needs of PRC's nuclear power development by identifying more suitable uranium projects of premier quality and in developing towards the directions of uranium product processing and nuclear energy compliant industries.

## **INFORMATION OF THE PURCHASER AND THE GUARANTOR**

The Purchaser is a private investment holding company incorporated in Hong Kong with limited liability. Save for the entering into the Agreement, the Purchaser has not carried on any other business or activities.

Mr. Tsang and Mr. Kong, being the Guarantors, together, are the beneficial owners of the entire issued share capital of the Purchaser. As at the date of this announcement, Mr. Tsang and Mr. Kong are appointed as the chief operation officer and president of the Company respectively, to manage and oversee the business, operation and finance of the Disposal Target Group. Mr. Tsang and Mr. Kong are not directors of the Company and its subsidiaries. Since Mr. Tsang and Mr. Kong do not report directly to the board of directors of the Company or its subsidiaries but report to the executive vice-president and executive Director of the Company who is also a director and legal representative of each Disposal Target Group Company for the conduct of the business of the Disposal Target Group Companies, accordingly, Mr. Tsang and Mr. Kong are not chief executives of the Company and its subsidiaries and hence the Disposal is not a connected transaction of the Group under Chapter 14A of the Listing Rules. Further, as of the date of this Announcement, none of the connected persons of the Company has entered into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, with respect to the Disposal with Mr. Tsang and Mr. Kong.

## **GENERAL**

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders at the EGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i)

Mr. Tsang and Mr. Kong being the Guarantors to the Agreement and each of them being a counterparty to the respective Termination Deeds, together, legally and beneficially own the entire issued share capital of the Purchaser and Mr. Tsang and Mr. Kong at the same time legally and beneficially owns the entire issued share capital of Standard Beyond and Absolute Above respectively; and (ii) Standard Beyond and Absolute Above are Shareholders of the Company together holding less than 10% of the voting share capital in the Company, and hence, Standard Beyond and Absolute Above are the respective associates (as defined under the Listing Rules) of Mr. Tsang and Mr. Kong. Further, the spouse of Mr. Kong currently holds 435,000 Shares. Accordingly, each of Standard Beyond, Absolute Above and the spouse of Mr. Kong has a material interest in the Disposal and will therefore be required to abstain from voting on the relevant resolution(s) to approve the Agreement and the transactions contemplated thereunder (including without limitation the Disposal and the Termination Deeds) at the EGM pursuant to Rule 14.49 of the Listing Rules.

Save as aforesaid, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder (including without limitation the Disposal and the Termination Deeds) which is different from that of the other Shareholders and is required to abstain from voting on the relevant resolution(s) to approve the Agreement and the transactions contemplated thereunder (including without limitation the Disposal and the Termination Deeds) at the EGM.

An EGM will be convened for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder (including without limitation the Disposal).

A circular containing, amongst other things, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing and finalising the information to be contained in the circular, including without limitation, the pro forma income statement, balance sheet, cash flow statement and working capital statement of the Group (other than the Disposal Target Group), it is expected that the circular will be despatched on or before 15 June 2011.

The Directors (including the independent non-executive Directors) are of the view that the Disposal and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 9 May 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 1:30 p.m. on 17 May 2011.



## DEFINITIONS

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

“Absolute Above”	Absolute Above Limited, a company incorporated in the BVI with limited liability
“Agreement”	the sale and purchase agreement dated 7 May 2011 entered into between the Company, the Purchaser and the Guarantors relating to the Disposal
“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	CNNC International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the term and conditions of the Agreement
“Completion Date”	the 14th day (or if this is not a Business Day, the Business Day immediately following that day) from and excluding the day on which the last of the Conditions have been fulfilled pursuant to the terms of the Agreement (or such other date as the Company and the Purchaser may agree in writing)
“Consideration”	the consideration in the sum of HK\$159,000,000 payable by the Purchaser to the Company for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the terms of the Agreement
“Disposal Target”	United Non-Ferrous (Overseas) Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company
“Disposal Target Group”	the Disposal Target and its subsidiaries; and “Disposal Target Group Company” shall be construed accordingly
“EGM”	an extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries and “Group Company” shall be construed accordingly
“Guarantors”	Mr. Tsang and Mr. Kong

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kong Service Agreement”	a service agreement dated 5 November 2008 as supplemented by the Kong Supplemental Service Agreement relating to the Company’s appointment of Mr. Kong as the president to manage and oversee the business, operation and finance of the Disposal Target Group and all subsequent amendments and/or supplements from time to time
“Kong Supplemental Service Agreement”	a supplemental service agreement dated 29 December 2010 supplemental to the Kong Service Agreement
“Land Disposal Agreement”	An agreement 〈泰波路地塊回購及地上建築物受讓協議〉 (Agreement for the repurchase of the land at Tai Bo Lu and the assignment of the buildings thereon) between the Shanghai Co. and 上海安亭經濟發展中心 (Shanghai Anting Economic Development Center) relating to the disposal by the Shanghai Co. and the repurchase by 上海安亭經濟發展中心 (Shanghai Anting Economic Development Center) of the land at Tai Bo Lu (泰波路) and the buildings thereon dated 21 January 2011 and supplemental agreement(s) thereto
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	31 August 2011 (or such other date as the Company and the Purchaser may agree in writing)
“Mr. Kong”	Mr. Kong Cheuk Luen, Trevor
“Mr. Tsang”	Mr. Tsang Chiu Wai
“Party(ies)”	party(ies) to the Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Crown Regent Investments Limited, a company incorporated in Hong Kong with limited liability
“Sale Shares”	30,400 ordinary shares of US\$1.00 each of the Disposal Target, representing the entire issued share capital of the Disposal Target
“Shanghai Co.”	United Metal Products (Shanghai) Co., Ltd. (科鑄金屬制品(上海)有限公司), a company incorporated in the PRC with limited liability
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Standard Beyond”	Standard Beyond Limited, a company incorporated in the BVI with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Deeds”	collectively, a termination deed in respect of the termination of the Tsang Service Agreement to be entered into between the Company and Mr. Tsang at Completion and another termination deed in respect of the termination of the Kong Service Agreement to be entered into between the Company and Mr. Kong at Completion
“Tsang Service Agreement”	a service agreement dated 5 November 2008 as supplemented by the Tsang Supplemental Service Agreement relating to the Company’s appointment of Mr. Tsang as the chief operation officer of the Company to manage and oversee the business, operation and finance of the Disposal Target Group and all subsequent amendments and/or supplements from time to time
“Tsang Supplemental Service Agreement”	a supplemental service agreement dated 29 December 2010 supplemental to the Tsang Service Agreement
“%”	per cent.

On behalf of the Board  
**CNNC International Limited**  
 中核國際有限公司\*  
**Qiu Jiangang**  
*Chairman*

Hong Kong, 17 May 2011

*As of the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Qiu Jiangang, executive directors, namely, Mr. Han Ruiping and Mr. Xu Hongchao, non-executive director, namely, Mr. Chen Xinyang and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguang and Mr. Zhang Lei.*

\* *For identification purpose only*