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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)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2017**

The Board of Directors (the “Board”) of CNNC International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2017 (the “Year”) as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|                                   |              | <b>For the year ended<br/>31st December,</b> |                 |
|-----------------------------------|--------------|--|-----------------|
|                                   |              | <b>2017</b>                                  | <b>2016</b>     |
|                                   | <i>NOTES</i> | <i>HK\$'000</i>                              | <i>HK\$'000</i> |
| Revenue                           | 3            | <b>652,060</b>                               | 189,429         |
| Cost of sales                     |              | <b>(637,830)</b>                             | (204,537)       |
| Gross profit (loss)               |              | <b>14,230</b>                                | (15,108)        |
| Other income, gains and losses    | 4            | <b>4,705</b>                                 | 3,097           |
| Selling and distribution expenses |              | <b>(850)</b>                                 | (546)           |
| Administrative expenses           |              | <b>(17,828)</b>                              | (15,635)        |
| Profit (loss) for the year        | 5            | <b>257</b>                                   | (28,192)        |

|   |             | <b>For the year ended</b> |                             |
|---|-------------|---------------------------|-----------------------------|
|   |             | <b>31st December,</b>     |                             |
|   |             | <b>2017</b>               | 2016                        |
|   | <i>NOTE</i> | <i>HK\$'000</i>           | <i>HK\$'000</i>             |
| <b>Other comprehensive income</b>   |             |                           |                             |
| <i>Item that will not be reclassified to profit or loss:</i>                            |             |                           |                             |
| Exchange differences arising on translation to presentation currency                    |             | <u>3,566</u>              | <u>190</u>                  |
| Total comprehensive income (expense) for the year attributable to owners of the Company |             | <u><u>3,823</u></u>       | <u><u>(28,002)</u></u>      |
| Basic earnings (loss) per share   | 8           | <u><u>HK0.1 cent</u></u>  | <u><u>(HK5.8 cents)</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |              | <b>As at 31st December,</b> |                 |
|---|--------------|-----------------------------|-----------------|
|   |              | <b>2017</b>                 | <b>2016</b>     |
|   | <i>NOTES</i> | <i>HK\$'000</i>             | <i>HK\$'000</i> |
| <b>Non-current assets</b>                           |              |                             |                 |
| Property, plant and equipment                       |              | <b>15,715</b>               | 17,781          |
| Exploration and evaluation assets                   |              | <b>210,709</b>              | 207,918         |
|   |              | <u><b>226,424</b></u>       | <u>225,699</u>  |
| <b>Current assets</b>                               |              |                             |                 |
| Inventories   |              | <b>179,670</b>              | 108,500         |
| Trade and other receivables and prepayments         | 9            | <b>74,553</b>               | 172,929         |
| Bank balances and cash                              |              | <b>247,743</b>              | 285,020         |
|   |              | <u><b>501,966</b></u>       | <u>566,449</u>  |
| <b>Current liabilities</b>                          |              |                             |                 |
| Trade and other payables and accruals               | 10           | <b>158,622</b>              | 226,175         |
| Amount due to an intermediate holding company       |              | <b>1,907</b>                | 1,801           |
| Amount due to ultimate holding company              |              | <b>2,678</b>                | 2,407           |
| Amounts due to fellow subsidiaries                  |              | <b>117</b>                  | 522             |
| Income tax payable                                  |              | <b>19,360</b>               | 19,360          |
|   |              | <u><b>182,684</b></u>       | <u>250,265</u>  |
| <b>Net current assets</b>                           |              | <u><b>319,282</b></u>       | <u>316,184</u>  |
| <b>Net assets</b>                                   |              | <u><b>545,706</b></u>       | <u>541,883</u>  |
| <b>Capital and reserves</b>                         |              |                             |                 |
| Share capital                                       |              | <b>4,892</b>                | 4,892           |
| Reserves  |              | <b>540,814</b>              | 536,991         |
| <b>Equity attributable to owners of the Company</b> |              | <u><b>545,706</b></u>       | <u>541,883</u>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

### 2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

|                        |   |
|------------------------|---|
| Amendments to HKAS 7   | Disclosure Initiative   |
| Amendments to HKAS 12  | Recognition of Deferred Tax Assets for Unrealised Losses        |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs<br>2014–2016 Cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|                                       |   |
|---------------------------------------|---|
| Amendments to HKAS 28                 | As part of the Annual Improvements to HKFRSs 2014–2016<br>Cycle <sup>1</sup>                          |
| Amendments to HKAS 28                 | Long-term Interests in Associates and Joint Ventures <sup>2</sup>                                     |
| Amendments to HKAS 40                 | Transfers of Investment Property <sup>1</sup>   |
| Amendments to HKFRS 2                 | Classification and Measurement of Share-based Payment<br>Transactions <sup>1</sup>                    |
| Amendments to HKFRS 4                 | Applying HKFRS 9 Financial Instruments with HKFRS 4<br>Insurance Contracts <sup>1</sup>               |
| Amendments to HKFRS 9                 | Prepayment Features with Negative Compensation <sup>2</sup>   |
| Amendments to HKFRS 10 and<br>HKAS 28 | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>4</sup> |
| Amendments to HKFRSs<br>HKFRS 9       | Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup><br>Financial Instruments <sup>1</sup>      |
| HKFRS 15                              | Revenue from Contracts with Customers and the related<br>Amendments <sup>1</sup>                      |
| HKFRS 16                              | Leases <sup>2</sup>   |
| HKFRS 17                              | Insurance Contracts <sup>3</sup>  |
| HK(IFRIC) — Int 22                    | Foreign Currency Transactions and Advance Consideration <sup>1</sup>                                  |
| HK(IFRIC) — Int 23                    | Uncertainty over Income Tax Treatments <sup>2</sup>   |

- <sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018  
<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2019  
<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2021  
<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

### 3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker (CODM), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely trading of mineral property and exploration and trading of mineral properties. They represent two major lines of business engaged in by the Group. The Group's operating and reportable segments under HKFRS 8 are as follows:

- Trading of mineral property — trading of uranium
- Exploration and trading of mineral properties — exploration and trading of uranium

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis for the Group's revenue and results from continuing operations by reportable and operating segment:

#### For the year ended 31st December, 2017

|                              | <b>Trading of<br/>mineral<br/>property<br/><i>HK\$'000</i></b> | <b>Exploration<br/>and trading<br/>of mineral<br/>properties<br/><i>HK\$'000</i></b> | <b>Consolidated<br/><i>HK\$'000</i></b> |
|------------------------------|--|--|---|
| Segment revenue              | <u>652,060</u>   | <u>—</u>   | <u>652,060</u>                          |
| Segment profit (loss)        | <u>14,326</u>  | <u>(5,351)</u>   | 8,975                                   |
| Interest income              |  |  | 3,636                                   |
| Central administration costs |  |  | <u>(12,354)</u>                         |
| Profit before taxation       |  |  | <u>257</u>                              |

**For the year ended 31st December, 2016**

|                              | Trading of<br>mineral<br>property<br><i>HK\$'000</i> | Exploration<br>and trading<br>of mineral<br>properties<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|------------------------------|--|---|---------------------------------|
| Segment revenue              | <u>189,429</u>                                       | <u>—</u>  | <u>189,429</u>                  |
| Segment loss                 | <u>(15,227)</u>                                      | <u>(2,459)</u>  | (17,686)                        |
| Interest income              |  |   | 2,214                           |
| Central administration costs |  |   | <u>(12,720)</u>                 |
| Loss before taxation         |  |   | <u>(28,192)</u>                 |

Revenue of the Group represents amounts received or receivable arising from the sale of uranium.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of interest income and central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>ASSETS</b>                                   |                         |                         |
| Segment assets                                  |                         |                         |
| — Trading of mineral property                   | 249,675                 | 274,987                 |
| — Exploration and trading of mineral properties | <u>231,888</u>          | <u>233,599</u>          |
|   | 481,563                 | 508,586                 |
| Unallocated corporate assets                    | <u>246,827</u>          | <u>283,562</u>          |
| Consolidated assets                             | <u>728,390</u>          | <u>792,148</u>          |
| <b>LIABILITIES</b>                              |                         |                         |
| Segment liabilities                             |                         |                         |
| — Trading of mineral property                   | 144,152                 | 213,118                 |
| — Exploration and trading of mineral properties | <u>15,710</u>           | <u>15,398</u>           |
|   | 159,862                 | 228,516                 |
| Unallocated corporate liabilities               | <u>22,822</u>           | <u>21,749</u>           |
| Consolidated liabilities                        | <u>182,684</u>          | <u>250,265</u>          |

For the purposes of monitoring segment performance and allocating resources between segments:

- Segment assets include property, plant and equipment, exploration and evaluation assets, inventories, trade and other receivables and prepayments and bank balances and cash which are directly attributable to the relevant reportable segment.
- Segment liabilities include trade and other payables and accruals and amounts due to an intermediate holding company, ultimate holding company and fellow subsidiaries which are directly attributable to the relevant reportable segment.

#### Other segment information

|   | 2017   |   |                                |                          |
|---|--|---|--------------------------------|--------------------------|
|   | Trading of<br>mineral<br>property<br><i>HK\$'000</i> | Exploration<br>and trading<br>of mineral<br>properties<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Amounts included in the measure of segment results or segment assets: |  |   |                                |                          |
| Addition to non-current assets  | —  | 1,270   | 34                             | 1,304                    |
| Depreciation of property, plant and equipment                         | —  | 2,118   | 72                             | 2,190                    |
| Loss on disposal of property, plant and equipment                     | —  | 54  | —                              | 54                       |
|   | <u>—</u>   | <u>54</u>   | <u>—</u>                       | <u>54</u>                |
|   | 2016   |   |                                |                          |
|   | Trading of<br>mineral<br>property<br><i>HK\$'000</i> | Exploration<br>and trading<br>of mineral<br>properties<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Amounts included in the measure of segment results or segment assets: |  |   |                                |                          |
| Addition to non-current assets  | —  | 2,139   | 138                            | 2,277                    |
| Depreciation of property, plant and equipment                         | —  | 2,512   | 66                             | 2,578                    |
| Loss (gain) on disposal of property, plant and equipment              | —  | 517   | (87)                           | 430                      |
|   | <u>—</u>   | <u>517</u>  | <u>(87)</u>                    | <u>430</u>               |

## Geographical information

The Group's revenue by geographical market (irrespective of the origin of the goods) based on the location of the customers are detailed below:

|                   | Revenue                 |                         |
|-------------------|-------------------------|-------------------------|
|                   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
| The United States | 329,828                 | 83,899                  |
| Switzerland       | 228,452                 | —                       |
| Kazakhstan        | 63,995                  | —                       |
| Others            | 29,785                  | —                       |
| Germany           | —                       | 105,530                 |
|                   | <u>652,060</u>          | <u>189,429</u>          |

The Group's operation is principally located in the Mongolia (country of domicile). Information about the Group's non-current assets by geographical location of the assets is detailed below:

|                                | Non-current assets      |                         |
|--------------------------------|-------------------------|-------------------------|
|                                | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
| Mongolia (country of domicile) | 226,294                 | 225,531                 |
| Hong Kong                      | 130                     | 168                     |
|                                | <u>226,424</u>          | <u>225,699</u>          |

## Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

|            | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 228,452                 | N/A <sup>1</sup>        |
| Customer B | 180,282                 | N/A <sup>1</sup>        |
| Customer C | 149,546                 | 22,942                  |
| Customer D | N/A <sup>1</sup>        | 105,530                 |
| Customer E | N/A <sup>1</sup>        | 60,957                  |

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.



#### 4. OTHER INCOME, GAINS AND LOSSES

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Included in other income, gains and losses are the following: |                         |                         |
| Interest income   | 3,636                   | 2,214                   |
| Net exchange gains  | <u>1,104</u>            | <u>1,292</u>            |

#### 5. PROFIT (LOSS) FOR THE YEAR

|  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year has been arrived at after charging (crediting):                     |                         |                         |
| Directors' emoluments  | 2,547                   | 2,136                   |
| Other staff costs  | 4,729                   | 4,406                   |
| Retirement benefit schemes contributions   | <u>82</u>               | <u>57</u>               |
| Total staff costs  | 7,358                   | 6,599                   |
| Less: Amount capitalised in exploration and evaluation assets                                  | <u>(785)</u>            | <u>(931)</u>            |
|  | <u>6,573</u>            | <u>5,668</u>            |
| Depreciation of property, plant and equipment  | 2,190                   | 2,578                   |
| Loss on disposal of property, plant and equipment (included in other income, gains and losses) | 54                      | 430                     |
| Auditors' remuneration   | 1,400                   | 1,372                   |
| Cost of inventories recognised as an expense   | 637,830                 | 204,537                 |
| Operating lease charges on land and buildings  | <u>1,190</u>            | <u>2,609</u>            |

#### 6. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the assessable profits were wholly absorbed by tax losses brought forward for both years.

#### 7. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior years. The directors have determined that no dividend will be paid in respect of the year ended 31st December, 2017.

## 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

|  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year attributable to owners of the Company           | <u>257</u>              | <u>(28,192)</u>         |
|  | 2017                    | 2016                    |
| Number of ordinary shares for the purposes<br>of earnings (loss) per share | <u>489,168,308</u>      | <u>489,168,308</u>      |

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|                                       | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Trade receivables — aged 0 to 30 days | 70,005                  | 166,487                 |
| Other receivables                     | 4,244                   | 3,810                   |
| Deposits paid                         | 120                     | 110                     |
| Prepayments                           | <u>184</u>              | <u>2,522</u>            |
|                                       | <u>74,553</u>           | <u>172,929</u>          |

The Group allows a credit period of 30 days to its trade customers.

## 10. TRADE AND OTHER PAYABLES AND ACCRUALS

|  | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade payables — aged 0 to 30 days                         | 141,357                 | 210,190                 |
| Receipt in advance   | 194                     | —                       |
| Other payables   | 1,640                   | 513                     |
| Other payable to the joint operator of the joint operation | 13,288                  | 12,705                  |
| Accruals   | <u>2,143</u>            | <u>2,767</u>            |
|  | <u>158,622</u>          | <u>226,175</u>          |

## **FINAL DIVIDEND**

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2017 (2016: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Overview**

The principal activities of the Group remained as the development of uranium resources assets and trading of natural uranium products during the year ended 31st December, 2017 (the “Year”). There has been an over-supply of natural uranium products in recent years, thus causing the market prices of uranium products to remain at low level. Yet the Group had substantially increased its revenue and gross profit from the trading of uranium business in the Year as compared to last year.

During the Year, the Group continued to communicate and negotiate with the Mongolian Government to set up a joint venture company for the application of the mining licenses of the Group’s Mongolian uranium resources project. The application has been delayed due to the changes in the relevant Mongolian government officials. The Group will endeavour to expedite the negotiations with the officials for setting up a joint venture company with the Mongolian government for the project and finalise the application procedures for the mining licenses.

### **Business Review**

During the Year, the Group reported a revenue of approximately HK\$652,060,000 (2016: approximately HK\$189,429,000) from its operating business, an increase of approximately 244%, a substantial increase compared to last year, which was resulted primarily from the increase in trading volume of uranium products. The Group has also recorded a gross profit of approximately HK\$14,230,000 (2016: gross loss of approximately HK\$15,108,000).

Other income, gains and losses of approximately HK\$4,705,000 (2016: approximately HK\$3,097,000), an increase of approximately 52% from last year, were mainly from interest income and exchange gains during the Year. Due to the substantial increase of business activities during the Year, the selling and distributing expenses had increased by approximately 55.7% to approximately HK\$850,000 (2016: approximately HK\$546,000) as compared to last year. The administrative expenses amounted to approximately HK\$17,828,000 (2016: approximately HK\$15,635,000) during the Year, the increase of approximately 14.0% compared to last year was due to the loss incurred by XXEM LLC, the joint operation of the Group in Mongolia.

## **Total Comprehensive Income(Expense) for the Year**

Summing up the combined effects of the foregoing, profit for the Year amounted to approximately HK\$257,000 (2016: loss approximately HK\$28,192,000). After taken into account of the other comprehensive income of approximately HK\$3,566,000 (2016: approximately HK\$190,000) due to exchange differences arising on translation to presentation currency, the total comprehensive income for the Year amounted to approximately HK\$3,823,000 (2016: expense of approximately HK\$28,002,000).

## **Future Strategies**

The Group has recorded a significant increase in revenue and gross profit from the trading uranium business during the Year, primarily due to increase in trading volume of uranium products, and will continue to develop its trading of uranium business. The Group will be proactive in expanding and diversifying its trading activities, including trading in other products, with a view to increase returns for the Group. The Group will take advantage of the considerable experience in trading of the Chief Executive Officer and Executive Director of the Company, namely Mr. Bai Donghai, to develop trading business in other products apart from uranium products with a view to diversify the income source of the Group. The Group expects the trading in electronic products may become a major source of income in 2018.

The associate of the Group (Société des Mines d’Azelik S.A. (“Somina”)) is still facing severe cash flow problems and will not be able to resume production within a short period of time. The Group will closely monitor the situation and continue to work with the other shareholders of Somina for its future plans.

For the Mongolian project, the Group will continue to negotiate with the Mongolian Government for the setting up of a joint venture company for the project. The project has not been, to a material extent, adversely affected by its slow progress, as the market price of natural uranium products has remained low during the Year. The Group intends to time the production to match with the recovery of the natural uranium market price.

As mentioned in the announcement, dated 12th March, 2018, of the Company (“Announcement”), the Group has plans to invest in CNNC Financial Leasing Company Limited (“CNNC Leasing”). Total consideration will be approximately RMB373,190,000. Upon completion, the Group will hold, in aggregate, not more than 18.51% of the registered capital in CNNC Leasing. By leveraging on the market expertise and size of the shareholders of CNNC Leasing including China National Nuclear Corporation (“CNNC”), the ultimate holding company of the Company, a market leader in the nuclear energy market, the management believes that CNNC Leasing could be able to develop into a promising business and generate satisfactory returns to its shareholders. Completion of the investments is subject to, among other things, approval of the independent shareholders of the Company. For further details, please refer to the Announcement.

The Group aims to expand and diversify its business by leveraging on the strengths of CNNC, in the field of nuclear energy, to develop project with reasonable returns.

### **Employees and Remuneration Policies**

As at 31st December, 2017, the Group employed approximately 12 (2016: 15) full-time employees of whom 2 (2016: 2) were based in Hong Kong, 6 (2016: 8) were based in the PRC and 4 (2016: 5) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK\$7,358,000 (2016: approximately HK\$6,599,000).

Remuneration policies and packages for the Group's employees are based on their performance, working experiences and conditions prevailing in the industry. Depending on the financial results of the Group and the performance of individual employees, eligible staff may also be granted discretionary performance bonuses, in addition to basic salaries, retirement schemes and medical benefit schemes. To raise work quality and management abilities of its employees, the Group provides job rotation, in-house training and external training courses to employees.

### **Liquidity and Financial Resources**

As at 31st December, 2017, the Group did not have any bank borrowings (at 31st December, 2016: Nil). The Group had net current assets amounting to approximately HK\$319,282,000 (at 31st December, 2016: approximately HK\$316,184,000) and the current liabilities amounting to approximately HK\$182,684,000 (at 31st December, 2016: approximately HK\$250,265,000) as at 31st December, 2017. During the Year, the Group continued trading in uranium products, and as at 31st December, 2017, the Group had trade receivables of approximately HK\$70,005,000 (at 31st December, 2016: 166,487,000) and trade payables of approximately HK\$141,357,000 (at 31st December, 2016: HK\$210,190,000). Capital expenditures on property, plant and equipment were approximately HK\$56,000 during the Year (2016: approximately HK\$327,000). Capital expenditures on exploration and evaluation assets were approximately HK\$1,248,000 (2016: approximately HK\$1,950,000). The Group did not have any commitment to purchase additional property, plant and equipment that had been contracted for but not provided in the consolidated financial statements as at 31st December, 2017 (at 31st December, 2016: Nil).

During the Year, net cash outflow from operating activities amounted to approximately HK\$40,951,000 (2016: approximately HK\$65,324,000). The Group's cash on hand and bank balances decreased from approximately HK\$285,020,000 as at 31st December, 2016 to approximately HK\$247,743,000 as at 31st December, 2017.

Total shareholders' funds increased from approximately HK\$541,883,000 as at 31st December, 2016 to approximately HK\$545,706,000 as at 31st December, 2017, mainly due to the comprehensive income during the Year. The gearing ratio, in terms of total debts to total assets, decreased to approximately 0.25 (at 31st December, 2016: approximately 0.32) as at 31st December, 2017.

### **Acquisitions and Disposals of Subsidiaries and Associated Companies**

There were no material acquisitions and disposals of subsidiaries and associated companies for the Year.

### **Exposure to Foreign Exchange Risk**

The Group's income, expenditure of raw materials, manufacturing, investment and borrowings are mainly denominated in USD, HKD, Mongolian Tugrigs and RMB. Fluctuations of the exchange rates of Mongolian Tugrigs and RMB against foreign currencies could affect the operating costs of the Group. Currencies other than Mongolian Tugrigs and RMB were relatively stable during the Year, the Group did not expose to significant foreign exchange risk. The Group currently does not have a foreign currency hedging policy for hedging significant foreign currency exposure.

### **Capital Structure**

There has been no significant change in the capital structure of the Group since 31st December, 2016.

### **Charge on Assets**

Apart from the 37.2% of the share capital in Somina held by Ideal Mining Limited pledged to a bank for banking facilities granted to Somina, there was no charge on the Group's assets during the Year (2016: apart from the shares in Somina, Nil).

### **PURCHASE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

## **AUDIT COMMITTEE**

An audit committee has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting system, internal control procedures and risk management and maintaining good and independent communications with the management as well as external auditors of the Company.

The audit committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry (Chairman of the audit committee), Mr. Cui Liguang and Mr. Zhang Lei and one non-executive director namely Mr. Li Zhihuang. The Group's annual report for the Year as well as the accounting principles and practices have been reviewed by the audit committee.

## REMUNERATION COMMITTEE

In accordance with the requirements of the CG Code, a remuneration committee has been established by the Company to consider the remuneration of the directors of the Company. The remuneration committee comprises three independent non-executive directors namely Mr. Cui Ligu (Chairman of the remuneration committee), Mr. Cheong Ying Chew Henry and Mr. Zhang Lei, one executive director namely Mr. Bai Donghai and one non-executive director namely Mr. Li Zhihuang.

## NOMINATION COMMITTEE

In accordance with the requirements of the CG Code, a nomination committee has been established by the Company to review the structure, size and composition of the Board and identify individuals suitably qualified to become Board members. The nomination committee comprises one non-executive director namely Mr. Yang Chaodong (Chairman of the Board and the nomination committee), one executive director namely Mr. Bai Donghai and three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>). An annual report for the year ended 31st December, 2017 containing all the information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange as well as the Company in due course.

## APPRECIATION

The directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board  
**CNNC International Limited**  
中核國際有限公司  
*Chairman*  
**Yang Chaodong**

Hong Kong, 29th March, 2018

*As at the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Yang Chaodong, executive director and chief executive officer, namely Mr. Bai Donghai, non-executive director, namely, Mr. Li Zhihuang and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei.*