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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

The Board of Directors (the “Board”) of CNNC International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2016 (the “Period”), together with comparative figures for the corresponding period of 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

	<i>NOTES</i>	Six months ended 30th June,	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	22,942	—
Cost of sales		(29,158)	—
Gross loss		(6,216)	—
Other income, gains and losses		1,267	4,063
Administrative expenses		(8,044)	(8,593)
Other expenses	4	—	(119,857)
Share of loss of an associate		—	(88,756)
Loss before taxation	5	(12,993)	(213,143)
Income tax expense	6	—	—
Loss for the period		(12,993)	(213,143)
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		190	(80)
Total comprehensive expense for the period, attributable to owners of the Company		(12,803)	(213,223)
Basic loss per share	8	(HK2.66 cents)	(HK43.57 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2016

	<i>NOTE</i>	30th June, 2016	31st December, 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		19,376	20,533
Exploration and evaluation assets		206,997	205,786
Interest in an associate	9	—	—
		<u>226,373</u>	<u>226,319</u>
Current assets			
Inventories		42,505	29,158
Trade and other receivables and prepayments		28,557	4,461
Bank balances and cash		319,246	348,778
		<u>390,308</u>	<u>382,397</u>
Current liabilities			
Trade and other payables and accruals		36,031	16,281
Amount due to intermediate holding company		1,596	1,596
Amount due to ultimate holding company		—	1,473
Amount due to fellow subsidiaries		2,612	121
Income tax payable		19,360	19,360
		<u>59,599</u>	<u>38,831</u>
Net current assets		<u>330,709</u>	<u>343,566</u>
Net assets		<u>557,082</u>	<u>569,885</u>
Capital and reserves			
Share capital		4,892	4,892
Reserves		552,190	564,993
Equity attributable to owners of the Company		<u>557,082</u>	<u>569,885</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact on the adoption of the above new and revised HKFRS and are yet to quantify the impact.

3. SEGMENT INFORMATION

Information reported to the Group’s executive directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods or services delivered or 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 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

The following is an analysis for the Group's revenue and results regarding the reportable and operating segments for the current and prior periods:

	Six months ended 30th June, 2016		
	Trading of mineral property <i>HK\$'000</i> (unaudited)	Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	<u>22,942</u>	<u>—</u>	<u>22,942</u>
Segment loss	<u>(6,385)</u>	<u>(3,780)</u>	<u>(10,165)</u>
Unallocated other income and gains			995
Central administration costs			<u>(3,823)</u>
Loss before taxation			<u>(12,993)</u>

	Six months ended 30th June, 2015		
	Trading of mineral property <i>HK\$'000</i> (unaudited)	Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Segment loss	<u>(35,876)</u>	<u>(139,314)</u>	<u>(175,190)</u>
Unallocated other income and gains			3,108
Unallocated other expenses			(37,153)
Central administration costs			<u>(3,908)</u>
Loss before taxation			<u>(213,143)</u>

Segment loss represents the loss incurred by each segment without allocation of interest income, impairment loss on amount due from an associate and central administration costs.

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

	30th June, 2016	31st December, 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
ASSETS		
Segment assets		
— Trading of mineral property	65,447	29,158
— Exploration and trading of mineral properties	233,635	233,478
	<u>299,082</u>	262,636
Unallocated assets	317,599	346,080
	<u>616,681</u>	608,716
LIABILITIES		
Segment liabilities		
— Trading of mineral property	20,803	—
— Exploration and trading of mineral properties	15,440	15,470
	<u>36,243</u>	15,470
Unallocated liabilities	23,356	23,361
	<u>59,599</u>	38,831

For the purposes of monitoring segment performance and allocating resources:

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

4. OTHER EXPENSES

	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Impairment loss on interest in an associate	—	46,959
Impairment loss on amount due from an associate	—	72,898
	<u>—</u>	119,857

5. LOSS BEFORE TAXATION

Six months ended 30th June,	
2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Loss before taxation has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	1,114	1,217
Net exchange gains	(272)	(218)
Interest income		
— Banks	(995)	(1,054)
— An associate	—	(2,054)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the group entities have no assessable profit for both periods.

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior periods. The directors have determined that no dividend will be paid in respect of the current interim period.

8. BASIC LOSS PER SHARE

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

Six months ended 30th June,	
2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Loss for the period attributable to owners of the Company	<u>(12,993)</u>	<u>(213,143)</u>
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Six months ended 30th June,	
2016	2015

Number of ordinary shares for the purposes of basic loss per share	<u>489,168,308</u>	<u>489,168,308</u>
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9. INTEREST IN AN ASSOCIATE

	30th June, 2016	31st December, 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Cost of unlisted investment	463,865	463,865
Share of post-acquisition losses and other comprehensive income	(463,865)	(463,865)
Interest in an associate	<u>—</u>	<u>—</u>

During the year ended 31st December, 2010, the Group acquired 37.2% equity interest in Société des Mines d'Azelik S.A. ("Somina") through the acquisition of a subsidiary known as Ideal Mining Limited ("Ideal Mining").

Due to the continued operating losses suffered over the years, unfavourable market conditions for the sale of uranium and insufficient cash flows for repayment of outstanding bank borrowings, the production of Somina has been suspended since the first half of 2015 and it is highly uncertain whether Somina will resume operation in the foreseeable future. Somina has run into serious going concern problem and significant loss was incurred in 2015.

At 30th June, 2016, the Group's equity interest in Somina is pledged to a bank for certain banking facilities granted to Somina.

Details of the Group's associate as at 30th June, 2016 and 31st December, 2015 are as follows:

Name of associate	Country of registration and operation	Paid-up registered capital	Attributable equity interest held by the Group	Principal activity
Somina	Republic of Niger	African Financial Community Franc 500,000,000	37.2%	Mining of uranium

MANAGEMENT DISCUSSION & ANALYSIS

Results

For the six months ended 30th June, 2016 (the “Period”), the loss for the Period for the Group was approximately HK\$12,993,000, as compared to approximately HK\$213,143,000 in the corresponding period last year. The material decrease in loss was due to the absence of the following items in the Period: the Group (i) shared the loss of its associate (Société des Mines d’Azelik S.A. (“Somina”)) for approximately HK\$88,756,000; and (ii) had made full provision of approximately HK\$119,857,000 for its investment equity of and loan receivables from Somina, for the six months ended 30th June, 2015 (the “2015 Period”). As the carrying amount of interest in Somina was nil at 31st December, 2015, the Group is no longer required to share any further losses in Somina in the Period, until it becomes a positive net asset position. Further details of the provision and share of loss of Somina are disclosed in the Interim Report 2015 and the Annual Report 2015 of the Group.

Market and Business Overview

The principal activities of the Group remained as the development of uranium resources assets and trading of natural uranium products during the Period. The international natural uranium market has been over-supplied for the past few years, thus driving the market price of the natural uranium products to an all-time low level and causing adverse effects to the results of the Group.

During the Period, negotiations have been carried out with the representatives of the Mongolian Government in relation to the formation of a joint venture company to develop the uranium mining assets of the Group in Mongolia. The negotiations have been slowed down by the change of personnel of the Mongolian Government resulting from the change of ruling party after general election.

Operations

During the Period, the Group recorded a turnover of approximately HK\$22,942,000 (2015 Period: nil) which resulted in a gross loss of approximately HK\$6,216,000 (2015 Period: nil), as the natural uranium inventory related to the sale transaction was acquired in 2013 at a price much higher than today’s market value, and during the Period, there was a further drop of approximately 22.8% in natural uranium market price. Impairment loss had been provided to such inventory in previous years. If the inventory were not disposed of during the Period, further impairment loss of similar amount of the gross loss would otherwise have been required.

Due to the absence of compensation from the litigation of a Mongolian subsidiary of approximately HK\$735,000 and the interest of approximately HK\$2,054,000 for the loan advance to Somina recorded in the 2015 Period, there was a decrease of approximately 68.8% in other income, gains and losses, which were approximately HK\$1,267,000 (2015 Period: approximately HK\$4,063,000), during the Period compared to the 2015 Period.

There was a decrease of approximately 6.4% in administrative expenses which were approximately HK\$8,044,000 (2015 Period: approximately HK\$8,593,000) during the Period, compared to the 2015 Period. This reflects the tight control measures in expenses imposed by the Group.

During the Period, there was no tax charge arising from the trading profit (2015 Period: nil).

Comprehensive expenses for the Period

Summing up the combined effects of the foregoing, loss for the Period was approximately HK\$12,993,000 (2015 Period: approximately HK\$213,143,000). After taking into account of the other comprehensive income of approximately HK\$190,000 relating to exchange differences arising on translation to presentation currency (2015 Period: expense of approximately HK\$80,000), the total comprehensive expense for the Period was approximately HK\$12,803,000 (2015 Period: approximately HK\$213,223,000), substantially reduced as compared to the 2015 Period.

Future Strategies and Prospects

The Group has been monitoring and researching into the natural uranium trading market with a view to expand its trading activities. However, the natural uranium price remains at low position and appears that such trend may not change in the short term. The Group will engage in further natural uranium trading with caution.

The safety of the workforce and safeguarding of its assets are the top priorities of Somina. The Group will work closely with the other shareholders of Somina for its next move. The suspension of production of Somina will have no further material impact to the Group as the carrying amount of interest in Somina is nil and full provision of receivables from Somina had been made. No further share of loss of Somina would be required until it becomes a positive net asset position.

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 Period. To optimise the returns of the project, the Group intends to time the production to match with the recovery of the natural uranium market price.

Amidst the global economy recovery, there have been reorganisations of some major uranium resources groups in the market. The Company will closely monitor the development of such reorganisations, and explore possible investment opportunities among them.

Human Resources Management

As at 30th June, 2016, the Group employed 12 full-time employees. The Group's remuneration package is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

Liquidity and Financial Resources

The Group recorded a net cash outflow of approximately HK\$29,650,000 (2015 Period: net cash inflow of approximately HK\$84,782,000) during the Period, which was mainly due to the payment of inventories. The Group's financial position remained healthy and does not have any interest bearing borrowing. The gearing ratio, which is represented by the ratio of total debts to total assets, was 0.097 as at 30th June, 2016 (as at 31st December, 2015: 0.064).

The working capital of the Group was generally financed by bank and cash balance. As at 30th June, 2016, the Group's cash-on-hand and bank balances amounted to approximately HK\$319,246,000 (as at 31st December, 2015: approximately HK\$348,778,000) and the Group had no bank loan outstanding (as at 31st December, 2015: nil). The Group's net current assets and current liabilities are

approximately HK\$330,709,000 (as at 31st December, 2015: approximately HK\$343,566,000) and approximately HK\$59,599,000 (as at 31st December, 2015: approximately HK\$38,831,000) respectively as at 30th June, 2016.

Total shareholders' funds decreased from approximately HK\$569,885,000 as at 31st December, 2015 to approximately HK\$557,082,000 as at 30th June, 2016, as a result of the recognised loss incurred for the Period.

Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Exposure to Foreign Exchange Risk

The Group's income, cost of sales, administrative expenses, investment and borrowings are mainly denominated in USD, HKD, Mongolian Tugrik and RMB. Fluctuations of the exchange rates of Mongolian Tugrik and RMB could affect the operating costs of the Group. Currencies other than Mongolian Tugrik and RMB were relatively stable during the Period. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudence measure to minimise the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

Capital Structure

There has been no significant change in the capital structure of the Group since 31st December, 2015.

Charge on Assets

Apart from the 37.2% of the share capital in Somina held by Ideal Mining pledged to a bank for banking facilities granted to Somina, there was no charge on the Group's assets during the Period (2015 Period: apart from the shares in Somina, nil).

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the Period (2015 Period: nil).

Purchase, Sale or Redemption of the Company's Listed Securities

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

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Period.

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 Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. The Company has received confirmation from all directors 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 throughout the Period.

Audit Committee

An Audit Committee has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive directors namely, Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei, and one non-executive director namely Mr. Xu Shouyi. Mr. Cheong Ying Chew Henry is the Chairman of the Audit Committee. The Group’s interim results for the Period 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 directors of the Company. The Remuneration Committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei, one executive director namely Ms. Wang Ying and one non-executive director namely Mr. Xu Shouyi. Mr. Cui Ligu is the Chairman of the Remuneration Committee.

Nomination Committee

In accordance with the requirements of the CG Code, a Nomination Committee has been established by the Company to review the structure of the Board and identify individuals suitably qualified to become Board Members. The Nomination Committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei, one executive director namely Ms. Wang Ying and one non-executive director namely Mr. Du Yunbin. Mr. Du Yunbin is the Chairman of the Nomination Committee.

Disclosure of Information on the Website of The Stock Exchange

The electronic version of this announcement will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>). An interim report for the six months ended 30th June, 2016 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 Board 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
Du Yunbin

Hong Kong, 25th August, 2016

As at the date of this announcement, the board of directors of the Company comprises chairman and non-executive director, namely, Mr. Du Yunbin, executive directors, namely, Ms. Wang Ying and Mr. Gao Shangxiong, non-executive director, namely, Mr. Xu Shouyi and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguang and Mr. Zhang Lei.