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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, 2017

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, 2017 (the “Period”), together with comparative figures for the corresponding period of 2016, as follows:

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

For the six months ended 30th June, 2017

		Six months ended 30th June,	
		2017	2016
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	80,391	22,942
Cost of sales		(75,603)	(29,158)
Gross profit (loss)		4,788	(6,216)
Other income, gains and losses		1,517	1,267
Selling and distribution expenses		(380)	—
Administrative expenses		(6,609)	(8,044)
Loss for the period attributable to owners of the Company	5	(684)	(12,993)
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation to presentation currency		1,507	190
<b>Total comprehensive income (expense) for the period, attributable to owners of the Company</b>		<b>823</b>	<b>(12,803)</b>
Basic loss per share	7	<u>(HK0.14 cent)</u>	<u>(HK2.66 cents)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30th June, 2017*

	<b>30th June, 2017 HK\$'000 (unaudited)</b>	31st December, 2016 HK\$'000 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	<b>16,182</b>	17,781
Exploration and evaluation assets	<b>210,615</b>	207,918
	<hr/> <b>226,797</b> <hr/>	<hr/> 225,699 <hr/>
<b>Current assets</b>		
Inventories	<b>131,768</b>	108,500
Trade and other receivables and prepayments	<b>4,652</b>	172,929
Bank balances and cash	<b>219,071</b>	285,020
	<hr/> <b>355,491</b> <hr/>	<hr/> 566,449 <hr/>
<b>Current liabilities</b>		
Trade and other payables and accruals	<b>14,865</b>	226,175
Amount due to an intermediate holding company	<b>1,814</b>	1,801
Amount due to ultimate holding company	<b>3,543</b>	2,407
Amounts due to fellow subsidiaries	<b>—</b>	522
Income tax payable	<b>19,360</b>	19,360
	<hr/> <b>39,582</b> <hr/>	<hr/> 250,265 <hr/>
<b>Net current assets</b>	<hr/> <b>315,909</b> <hr/>	<hr/> 316,184 <hr/>
<b>Net assets</b>	<hr/> <b>542,706</b> <hr/>	<hr/> 541,883 <hr/>
<b>Capital and reserves</b>		
Share capital	<b>4,892</b>	4,892
Reserves	<b>537,814</b>	536,991
	<hr/> <b>542,706</b> <hr/>	<hr/> 541,883 <hr/>
<b>Equity attributable to owners of the Company</b>	<hr/> <b>542,706</b> <hr/>	<hr/> 541,883 <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2017*

## 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, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2016.

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 but the application may have impact on disclosures in the consolidated financial statements for the year ending 31st December, 2017.

## 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:

	<b>Six months ended 30th June, 2017</b>		
	<b>Trading of mineral property <i>HK\$'000</i> (unaudited)</b>	<b>Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)</b>	<b>Consolidated <i>HK\$'000</i> (unaudited)</b>
Segment revenue	<u>80,391</u>	<u>—</u>	<u>80,391</u>
Segment profit (loss)	<u>4,408</u>	<u>(4,024)</u>	<u>384</u>
Unallocated other income and gains			<u>1,388</u>
Central administration costs			<u>(2,456)</u>
Loss before taxation			<u>(684)</u>

	<b>Six months ended 30th June, 2016</b>		
	<b>Trading of mineral property <i>HK\$'000</i> (unaudited)</b>	<b>Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)</b>	<b>Consolidated <i>HK\$'000</i> (unaudited)</b>
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			<u>995</u>
Central administration costs			<u>(3,823)</u>
Loss before taxation			<u>(12,993)</u>

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of interest income and central administration costs.

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

	<b>30th June, 2017</b>	31st December, 2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<b>ASSETS</b>		
Segment assets		
— Trading of mineral property	<b>131,768</b>	274,987
— Exploration and trading of mineral properties	<b>233,672</b>	233,599
	<b>365,440</b>	508,586
Unallocated assets	<b>216,848</b>	283,562
Consolidated assets	<b>582,288</b>	792,148
<b>LIABILITIES</b>		
Segment liabilities		
— Trading of mineral property	<b>3,762</b>	213,118
— Exploration and trading of mineral properties	<b>15,280</b>	15,398
	<b>19,042</b>	228,516
Unallocated liabilities	<b>20,540</b>	21,749
Consolidated liabilities	<b>39,582</b>	250,265

For the purposes of monitoring segment performance and allocating resources:

- Segment assets include property, plant and equipment, exploration and evaluation assets, 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 amounts due to an intermediate holding company, ultimate holding company and fellow subsidiaries which are directly attributable to the relevant reportable segment.

#### 4. 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 in the condensed consolidated financial statements as the assessable profits were wholly absorbed by tax losses brought forward.

## 5. LOSS FOR THE PERIOD

Six months ended 30th June,	
2017	2016
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Loss for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	995	1,114
Net exchange gains	(129)	(272)
Interest income from bank deposits	(1,388)	(995)
	<u>(1,388)</u>	<u>(995)</u>

## 6. 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.

## 7. 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,	
2017	2016
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Loss for the period attributable to owners of the Company	(684)	(12,993)
	<u>(684)</u>	<u>(12,993)</u>

Six months ended 30th June,	
2017	2016

Number of ordinary shares for the purposes of basic loss per share	489,168,308	489,168,308
	<u>489,168,308</u>	<u>489,168,308</u>

## MANAGEMENT DISCUSSION & ANALYSIS

### Results

For the six months ended 30th June, 2017 (the “Period”), the loss for the Period for the Group was approximately HK\$684,000, as compared to approximately HK\$12,993,000 in the corresponding period last year. The material decrease in loss was primarily due to a significant increase in revenue and the gross profit generated from the trading of natural uranium business of the Group in the Period.

### 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 and during the Period the price of natural uranium mostly maintained at a low level. However, the Group was able to sell part of its stock of natural uranium products when the price was at the peak level during the Period, thus generating a gross profit for its trading activities.

During the Period, the Group has kept in close contact with the representatives of the Mongolian Government and continued the negotiation on the formation of a joint venture company to develop the uranium mining assets of the Group in Mongolia and the application of the related mining license.

### Operations

During the Period, the Group recorded a “Revenue” of approximately HK\$80,391,000 (2016 Period: HK\$22,942,000), an increase of approximately 250% over last year, which resulted in a “Gross profit” of approximately HK\$4,788,000 (2016 Period: “Gross loss” of approximately HK\$6,216,000) as the Group was able to sell part of its inventory of natural uranium products at the highest price during the Period.

“Other income, gains and losses” of approximately HK\$1,517,000 (2016 Period: approximately HK\$1,267,000) were mainly from interest income and exchange gains recorded during the Period, an increase of approximately 20% over last year mainly due to the increase of deposit interest rates during the Period as compared to last year.

“Selling and distributing expenses” amounted to approximately HK\$380,000 during the Period. The corresponding expenses during last year were insignificant. There was a decrease of approximately 18% in “Administrative expenses” which amounted to approximately HK\$6,609,000 (2016 Period: approximately HK\$8,044,000) as compared to last year. The tight control measures in expenses imposed by the Group continued to be effective.

During the Period, the Group did not record any interest expenses (2016 Period: nil). The Group is currently free of any interest bearing debt. No tax charge was provided as the assessable profits of the Group during the Period were wholly absorbed by tax losses brought forward (2016 Period: nil).

### Total comprehensive income (expense) for the Period

Summing up the combined effects of the foregoing, loss for the Period was approximately HK\$684,000 (2016 Period: approximately HK\$12,993,000). After taking into account of the other comprehensive income of approximately HK\$1,507,000 (2016 Period: approximately HK\$190,000) relating to

exchange differences arising on translation to presentation currency, the total comprehensive income for the Period was approximately HK\$823,000 (2016 Period: expense of approximately HK\$12,803,000), substantially improved as compared to the 2016 Period.

### **Future Strategies and Prospects**

In short term the over-supply trend in the natural uranium market is expected to continue and the price of natural uranium in 2017 will maintain at a low level. The Group will exercise caution in the trading of natural uranium products to ensure reasonable returns for the Group.

As the price of natural uranium is currently at a low level, it is not economical to resume the production of the associate (Société des Mines d'Azelik S.A. ("Somina")) of the Group. 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. 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.

The Group will explore possible opportunity to expand its business, diversify its activities and explore in investment projects with reasonable returns by leveraging on the strengths of China National Nuclear Corporation, the ultimate holding company of the Group, in the field of nuclear energy. In short term, the Group may increase its trading activities by engaging in trading in products other than natural uranium to increase its returns to shareholders.

### **Human Resources Management**

As at 30th June, 2017, 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\$66,676,000 (2016 Period: approximately HK\$29,650,000) 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 reduced to approximately 0.07 as at 30th June, 2017 (as at 31st December, 2016: approximately 0.32).

The working capital of the Group was generally financed by bank and cash balance. As at 30th June, 2017, the Group's cash-on-hand and bank balances amounted to approximately HK\$219,071,000 (as at 31st December, 2016: approximately HK\$285,020,000) and the Group had no bank loan outstanding (as at 31st December, 2016: nil). The Group's net current assets and current liabilities are approximately HK\$315,909,000 (as at 31st December, 2016: approximately HK\$316,184,000) and approximately HK\$39,582,000 (as at 31st December, 2016: approximately HK\$250,265,000) respectively as at 30th June, 2017.



Total shareholders' funds increased from approximately HK\$541,883,000 as at 31st December, 2016 to approximately HK\$542,706,000 as at 30th June, 2017, as a result of the increase of translation reserve during 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, 2016.

### **Charge on Assets**

Apart from the 37.2% of the share capital in Somina held by a wholly owned subsidiary of the Company, Ideal Mining Limited, pledged to a bank for banking facilities granted to Somina, there was no charge on the Group's assets during the Period (2016 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 (2016 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 and the accounting principles and practices adopted by the Group 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 Mr. Xie Jiajie 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 Mr. Xie Jiajie and one Non-executive Director namely Mr. Yang Chaodong. Mr. Yang Chaodong 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, 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 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*  
**Yang Chaodong**

Hong Kong, 17th August, 2017

*As at the date of this announcement, the board of directors of the Company comprises the Chairman and Non-executive Director, namely, Mr. Yang Chaodong, the Chief Executive Officer and Executive Director, namely, Mr. Xie Jiajie, the Executive Vice President and Executive Director, namely, Ms. Wang Ying, Non-executive Director, namely, Mr. Xu Shouyi and Independent Non-executive Directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Ligu and Mr. Zhang Lei.*