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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)

**UNAUDITED FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

UNAUDITED ANNUAL RESULTS

For the reasons explained below under “Preparation of Unaudited Annual Results”, the auditing process for the annual results of the Company and its subsidiaries has not been completed. The audited annual results may be different from those contained in this announcement. The Board of Directors (the “Board”) of CNNC International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2020 (the “Year”) as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31st December,	
	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	1,648,233	3,169,836
Cost of sales		<u>(1,623,783)</u>	<u>(3,137,195)</u>
Gross profit		24,450	32,641
Other income and gains (losses)		5,593	7,656
Net exchange gains (loss)		273	(2,597)
Selling and distribution expenses		(4,221)	(3,560)
Administrative expenses		(21,644)	(21,918)
Impairment loss on exploration and evaluation assets		—	(210,367)
Impairment loss on inventories		(52,409)	—
Impairment loss on property, plant and equipment		(1,369)	—
Share of result of an associate		(18,446)	(1,896)
Finance costs		<u>(16,691)</u>	<u>(17,365)</u>
Loss before tax	4	(84,464)	(217,406)
Income tax expense	5	<u>(3,860)</u>	<u>(1,917)</u>
Loss for the year		(88,324)	(219,323)
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		3,460	(1,646)
Fair value gain on investment in equity instrument at fair value through other comprehensive income		—	(4,176)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of exchange difference of an associate		<u>23,533</u>	<u>(6,627)</u>
		<u>26,993</u>	<u>(12,449)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(61,331)</u>	<u>(231,772)</u>
Basic and diluted loss per share	7	<u>HK(18.1) cents</u>	<u>HK(44.8) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		10,166	12,605
Right of use asset		222	556
Exploration and evaluation assets		—	—
Interests in associates		401,267	422,069
		<u>411,655</u>	<u>435,230</u>
Current assets			
Inventories		3,417	340,858
Trade and other receivables and prepayments	8	30,763	251,509
Restricted cash		5,433	19,004
Bank balances and cash		144,354	100,543
		<u>183,967</u>	<u>711,914</u>
Current liabilities			
Trade, bills and other payables and accruals	9	21,620	241,622
Contract liabilities		13,388	25,617
Lease liability		228	331
Bank borrowings		282,125	538,774
Amount due to an intermediate holding company		1,892	1,901
Amount due to ultimate holding company		1,977	1,977
Amounts due to fellow subsidiaries		140	140
Income tax payable		661	1,632
		<u>322,031</u>	<u>811,994</u>
Net current liabilities		<u>(138,064)</u>	<u>(100,080)</u>
Total assets less current liabilities		<u>273,591</u>	<u>335,150</u>

	As at 31st December,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liability		
Lease liability	—	228
	<hr/>	<hr/>
Net assets	273,591	334,922
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	4,892	4,892
Share premium and reserves	268,699	330,030
	<hr/>	<hr/>
Equity attributable to owners of the Company	273,591	334,922
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

1. BASIS OF PREPARATION

The unaudited 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 unaudited 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 unaudited 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.

In preparing the unaudited consolidated financial statements of the Company, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$88,324,000 for the year ended 31st December, 2020 and as of that date, the Group had net current liabilities of approximately HK\$138,064,000.

The Group had not complied with certain financial covenant as stipulated in the bank loan agreement of the Group’s bank borrowing of approximately HK\$282,125,000 outstanding as at 31st December, 2020, which requires the Group to meet certain amount of consolidated tangible net worth at all times, after recognition of the impairment loss on inventories of approximately HK\$52,409,000 in the unaudited consolidated financial statements as at 31st December, 2020. Accordingly, such bank borrowings are repayable on demand.

Subsequent to 31st December, 2020, CNNC Overseas Uranium Holding Limited has undertaken to provide continuing financing support in order to maintain the Group as a going concern.

The directors of the Company have performed an assessment of the Group’s future liquidity and cash flows, taking into account the short term adjustment on certain financial covenant in respect of bank borrowing, the Group’s operating cash flows and available unutilised short-term banking facilities.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the unaudited consolidated financial statements. Accordingly, the unaudited consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Adoption of new or amended HKFRSs

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19 Related Rent Concessions

The new/amendments to HKFRSs that are effective from 1 January 2020 did not have significant financial impact on the Group’s accounting policies.

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 three operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely trading of mineral properties, exploration and selling of mineral properties and supply chain. They represent three 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 properties — trading of uranium
- Exploration and selling of mineral properties — exploration and selling of uranium
- Supply chain — selling of electronics and other products, dispersed metal

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2020

Segments	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trading of				
— uranium	662,994	—	—	662,994
— electronics and other products	—	—	841,709	841,709
— dispersed metal	—	—	143,530	143,530
	<u>662,994</u>	<u>—</u>	<u>985,239</u>	<u>1,648,233</u>

For the year ended 31st December, 2019

Segments	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trading of				
— uranium	601,321	—	—	601,321
— electronics and other products	—	—	1,418,306	1,418,306
— dispersed metal	—	—	1,150,209	1,150,209
	<u>601,321</u>	<u>—</u>	<u>2,568,515</u>	<u>3,169,836</u>

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, 2020

	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>662,994</u>	<u>—</u>	<u>985,239</u>	<u>1,648,233</u>
Segment profit (loss)	<u>8,350</u>	<u>(6,232)</u>	<u>(48,450)</u>	<u>(46,332)</u>
Bank interest income				408
Unallocated corporate income				1,345
Unallocated corporate costs				(8,341)
Share of result of an associate				(18,446)
Unallocated finance costs				<u>(13,098)</u>
Loss before tax				<u>(84,464)</u>

For the year ended 31st December, 2019

	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>601,321</u>	<u>—</u>	<u>2,568,515</u>	<u>3,169,836</u>
Segment profit (loss)	<u>2,788</u>	<u>(215,715)</u>	<u>17,534</u>	<u>(195,393)</u>
Bank interest income				881
Unallocated corporate costs				(7,775)
Share of result of an associate				(1,896)
Unallocated finance costs				<u>(13,223)</u>
Loss before tax				<u>(217,406)</u>

Revenue of the Group represents amounts received or receivable arising from the sale of uranium, electronic and other products, dispersed metal, provision of supply chain management service and exploration and selling of mineral properties.

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 bank interest income, unallocated corporate income, unallocated corporate costs, unallocated finance costs and share of result of an associate. 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:

	As at 31st December,	
	2020	2019
	HK\$'000	HK\$'000
ASSETS		
Segment assets		
— Trading of mineral properties	69,262	324,479
— Exploration and selling of mineral properties	14,729	15,368
— Supply chain	78,656	378,979
	<u>162,647</u>	718,826
Interests in associates	401,267	422,069
Unallocated corporate assets	31,708	6,249
	<u>595,622</u>	1,147,144
Consolidated assets	595,622	1,147,144
LIABILITIES		
Segment liabilities		
— Trading of mineral properties	982	337,588
— Exploration and selling of mineral properties	18,988	16,753
— Supply chain	14,374	167,202
	<u>34,344</u>	521,543
Unallocated corporate liabilities	287,687	290,679
	<u>322,031</u>	812,222
Consolidated liabilities	322,031	812,222

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, restricted cash and bank balances and cash which are directly attributable to the relevant reportable segment.
- Segment liabilities include trade, bills and other payables and accruals, contract liabilities, a bank borrowing and amount due to an intermediate holding company, which are directly attributable to the relevant reportable segment.

Geographical information

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

	Revenue	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC (including Hong Kong)	1,016,795	2,606,781
The United Kingdom	198,021	121,734
The United States	140,523	106,325
Germany	133,396	94,102
Switzerland	93,657	52,426
Canada	65,841	—
Other	—	188,468
	<u>1,648,233</u>	<u>3,169,836</u>

4. LOSS BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Directors' emoluments	1,648	1,467
Other staff costs	9,474	9,508
Retirement benefit schemes contributions	334	771
Total staff costs	<u>11,456</u>	<u>11,746</u>
Depreciation of property, plant and equipment	842	868
Depreciation of right of use asset	334	111
Impairment loss on inventories	52,409	—
Impairment loss on property, plant and equipment	1,369	—
Impairment loss on exploration and evaluation assets	—	210,367
	<u>—</u>	<u>210,367</u>

5. TAXATION

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of a PRC subsidiary is 25%.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	—	808
PRC EIT	587	1,085
Dividend withholding tax	2,589	—
	<u>3,176</u>	<u>1,893</u>
Under (over) provision in prior year:		
— Hong Kong Profits Tax	(36)	—
— PRC EIT	720	24
	<u>3,860</u>	<u>1,917</u>

6. DIVIDENDS

No dividend was 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, 2020.

7. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(88,324)</u>	<u>(219,323)</u>
	2020	2019
Number of ordinary shares for the purposes of loss per share	<u>489,168,308</u>	<u>489,168,308</u>

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables — aged 0 to 30 days	29,305	231,322
Trade receivables — aged 31 to 60 days	—	16,521
Other receivables	482	3,377
Deposits paid	34	89
Prepayments	<u>942</u>	<u>200</u>
	<u>30,763</u>	<u>251,509</u>

The Group allows a credit period of 0 to 60 days to its trade customers.

9. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables — aged 0 to 30 days	—	153,398
Bills payables	—	65,944
Interests payables	63	164
Other payables	1,897	3,015
Amount due to a joint operator	15,971	14,703
Accruals	<u>3,689</u>	<u>4,398</u>
	<u>21,620</u>	<u>241,622</u>

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Overview

During the year ended 31st December, 2020 (the “Year”), the Group has continued its business of trading of mineral properties and supply chain business, including the trading of electronics, dispersed metals and other products.

However, the trading of electronics and other products was seriously disrupted by the global COVID-19 pandemic (the “Pandemic”).

The Group has recorded revenue from trading of natural uranium and supply chain business of approximately HK\$1,648,233,000 (2019: approximately HK\$3,169,836,000) for the Year, a decrease of approximately 48% over last year. The significant decrease in revenue is mainly due to a significant decrease in the turnover generated from the supply chain business in the second half of the Year, due to the Pandemic outbreak across the globe, and the Group’s strategies to gradually reduce the scale of its supply chain business as set out in the 2020 Interim Report of the Company. During the Year, a net loss of approximately HK\$88,324,000 was recorded as compared to a net loss of approximately HK\$219,323,000 recorded in the corresponding period last year. The reduction of net loss is mainly due to the impairment loss of inventory in the Group’s supply chain business of approximately HK\$52,409,000 in the Year (2019: Nil), as compared to the impairment loss for the Group’s Mongolian Mining Project of approximately HK\$210,367,000 in 2019 (2020: Nil); and partially offset by (i) the increase of share of loss from an associate to approximately HK\$18,446,000 in the Year (2019: approximately HK\$1,896,000), and (ii) the decrease in gross profit in the Year of approximately HK\$8,191,000 mainly from reduction of the supply chain business of the Group.

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 Mining Project. As mentioned in the announcements dated 9th January, 3rd February, 17th March, 28th April, 4th and 22nd May, 5th June, 6th July, 12th October and 13th November 2020 of the Company, in the hearing of the Appellate Court with new evidence presented in June, 2020, the Appellate Court concluded the decision of the Capital City Administrative Court of First-Instance of Mongolia (the “Court”) was right, but considered that the Group had the rights to make the application with the new evidence to the Court again. The Group’s application to the Court to “resume the litigation period” (i.e. the period during which one can litigate) was refused, as the Court considered that the Group did not put forward the

application within the litigation period, and could not prove that the delay was due to the wrongful action of Governmental Organisation. Upon appeal, the Appellate Court considered that it had no reasons to reverse the judgment of the below court.

On 29th October, 2020, a working committee (“Committee”) included, amongst others, representatives from the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”, the respondent of the lawsuit) was set up with a view to help resolve the disputes regarding the expiry of the exploration licenses of the Group. The management believes it is a positive sign of the MRPAM’s intention towards resolving the disputes, though at this stage, there is no guarantee that the matter shall be resolved in favour of the Group.

The Company is closely monitoring the progress of the lawsuit and the work of the Committee and will make further announcement(s) as and when appropriate.

Operations Review

During the Year, the Group recorded a “Revenue” and “Cost of sales” of approximately HK\$1,648,233,000 (2019: approximately HK\$3,169,836,000) and approximately HK\$1,623,783,000 (2019: approximately HK\$3,137,195,000) respectively, a significant decrease of approximately 48% in both items over last year, which resulted in a “Gross profit” of approximately HK\$24,450,000 (2019: approximately HK\$32,641,000), a significant decrease of approximately 25% over last year. The significant decrease in revenue and gross profit are mainly due to a significant decrease in the turnover generated from the supply chain business in the second half of the Year, due to the Pandemic outbreak across the globe, which results in, among other things, weakening demand, deteriorating credits, slowdown of the economy and various other limitations, and the Group’s strategies to gradually reduce the scale of its supply chain business as set out in the 2020 Interim Report of the Company.

“Other income and gains (losses)”, of approximately HK\$5,593,000 (2019: approximately HK\$7,656,000), was mainly operating income generated from the supply chain business from customers’ overdue charges and interest income generating from the bank. “Net exchange gains (losses)” of approximately HK\$273,000 were the net exchange gains recorded during the Year (2019: net exchange loss of approximately HK\$2,597,000).

Although the Revenue has decreased significantly during the Year, due to increase in transportation costs, the “Selling and distribution expenses” has increased by approximately 19% to approximately HK\$4,221,000 (2019: approximately HK\$3,560,000) as compared to last year. The “Administrative expenses” amounted to approximately HK\$21,644,000 (2019: approximately HK\$21,918,000) during the Year, a decrease of approximately 1% compared to last year.

“Share of result of an associate” recorded a loss of approximately HK\$18,446,000 during the Year (2019: approximately HK\$1,896,000) mainly due to the adjustments of the differences of accounting standards between the HKFRSs and that of the PRC. The share of result of associate was generated from the Group’s approximately 18.45% (which was subsequently diluted to approximately 11.36% after the Merger mentioned below) share of the registered capital in CNNC Financial Leasing Company Limited (中核融資租賃有限公司) (“CNNC Leasing”).

During the Year, the Group has incurred “Finance costs” of approximately HK\$16,691,000 (2019: approximately HK\$17,365,000) from various short-term and long-term bank facilities of which the Group has secured during the Year for the Group’s business trading activities and equity investment in CNNC Leasing.

The Group had incurred an impairment loss on inventories of approximately HK\$52,409,000 (2019: Nil) due to defects of certain electronics components inventory in the supply chain business. The Group had initiated claims against the relevant suppliers, however, the claiming process, if successful, could be lengthy. Further details are set out in the announcements dated 8th January and 15th March, 2021 of the Company.

The Group had incurred an impairment loss of approximately HK\$210,367,000 in 2019 on the Group’s Mongolian Mining Project (2020: Nil). Such impairment loss was recorded based on the fair market valuation of the Mongolia Mining Project, with consideration being taken on the downward movement of the market price of the natural uranium and the initiation of the lawsuit. Further details of the lawsuit are set out in the sub-section headed “Market and Business Overview” above.

Total Comprehensive Income for the Year

Summing up the combined effects of the foregoing, loss for the Year amounted to approximately HK\$88,324,000 (2019: loss approximately HK\$219,323,000). After taken into account of the other comprehensive income of approximately HK\$26,993,000 (2019: expense of approximately HK\$12,449,000) relating to exchange differences arising from the translation to presentation currency, and share of exchange difference of an associate, the total comprehensive expense for the Year amounted to approximately HK\$61,331,000 (2019: expense of approximately HK\$231,772,000).

FUTURE STRATEGIES

As set out in the 2019 Annual Report, the 2020 Interim Report and the announcement dated 15th March, 2021 of the Company, the Pandemic had led to, among other things, weaker demand, deteriorating credits, economic slowdown and various limitations, such as movement of people and goods and work resumptions, which had material adverse effects to the Group’s supply chain business. Considering the financial benefits from the supply chain business were decreasing, whilst the financial risks were increasing, and the adverse impacts of the Pandemic were expected to continue in the near future, the

management had decided to reduce the scale of its supply chain business since mid-year of 2020, and focus more in the uranium products trading business, in which the Group had established competitive advantages, and to actively seek high-quality uranium resources projects to complement the development of its parent group.

As mentioned in the announcement, dated 13th November, 2020, of the Company, the board of CNNC Leasing (an associate of the Company, the equity interest of which was then held as to approximately 18.45% by the Group) had approved to enter into an absorption and merger agreement (the “Merger Agreement”) with China Nuclear E&C Financial Leasing Co., Ltd (中核建融資租賃有限公司) (“CNECFL”) and the shareholders of CNECFL (“CNECFL Shareholders”) in relation to the merger (the “Merger”) of CNNC Leasing with CNECFL. Pursuant to the Merger: (i) CNNC Leasing absorbed and merged with CNECFL, and the assets, liabilities, businesses, employees, contracts and all other rights and obligations of CNECFL were succeeded and undertaken by CNNC Leasing; and (ii) CNNC Leasing allotted and issued RMB1,247,526,100 new registered capital (the “New Equity Interest”) to the CNECFL Shareholders, representing approximately 38.41% of the registered capital of RMB3,247,536,100 of CNNC Leasing (as enlarged by the New Equity Interest). The Merger provided an enlarged capital base for CNNC Leasing to expand its business. With the public utilities projects of CNECFL succeeded by CNNC Leasing, CNNC Leasing is expected to be able to diversify its business. The Group’s interests in CNNC Leasing was reduced from approximately 18.45% to approximately 11.36% (as enlarged by the New Equity Interest). CNNC Leasing has 7 directors in total, of which one of the directors was nominated by the Group. CNNC Leasing remains to be recognised as an associate of the Group, and hence, according to the accounting policy of the Group, the Group will continue to share the profit or loss and other comprehensive income of CNNC Leasing.

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.

The Group will continue to negotiate with the Mongolian Government for the setting up of a joint venture company for the project. The Group will endeavour to expedite the process although 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.

For the Mongolian Mining Project, the Group filed the lawsuit in January 2020. For further details, please refer to the sub-section headed “Market and Business Overview” above. The Group would continue to closely monitor the progress of the case and will make further announcement(s) as and when appropriate to inform its shareholders and potential investors if there is any significant development in respect of the case.

The Group aims to expand and diversify its business by leveraging on the strengths of CNNC, in the field of nuclear energy, to develop projects with reasonable returns and continues to explore other possible investment opportunities.

Employees and Remuneration Policies

As at 31st December, 2020, the Group employed 23 (2019: 22) full-time employees of whom 5 (2019: 4) were based in Hong Kong, 14 (2019: 14) were based in the PRC and 4 (2019: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK\$11,456,000 (2019: approximately HK\$11,746,000).

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

During the Year, the Group's bank borrowings decreased significantly compared to last year. As at 31st December, 2020, the Group had short-term bank borrowings of approximately HK\$282,125,000 (at 31st December, 2019: approximately HK\$538,774,000), of which none (at 31st December, 2019: approximately HK\$253,761,000) was being utilized to fund the expansion of the Group's business trading activities, and approximately HK\$282,125,000 (at 31st December 2019: approximately HK\$285,013,000) was being utilized to fund the equity investment of CNNC Leasing. The Group had net current liabilities amounting to approximately HK\$138,064,000 (at 31st December, 2019: approximately HK\$100,080,000) and the current liabilities amounting to approximately HK\$322,031,000 as at 31st December, 2020 (at 31st December, 2019: approximately HK\$811,994,000). During the Year, the Group has continued to engage in the business activities of trading natural uranium, electronic products, plastics materials, and metals products, and as at 31st December, 2020, the Group had trade receivables of approximately HK\$29,305,000 (at 31st December, 2019: approximately HK\$247,843,000) and no trade payables were recorded (at 31st December, 2019: approximately HK\$153,398,000). Capital expenditures on property, plant and equipment were approximated HK\$395,000 during the Year (2019: approximately HK\$170,000). During the Year, the Group did not have any capital expenditures on exploration and evaluation assets (2019: Nil). The Group did not have any commitment to purchase additional property, plant and equipment that had been contracted for but not provided in the unaudited consolidated financial statements as at 31st December, 2020 (at 31st December, 2019: Nil).

During the Year, net cash inflow from operating activities amounted to approximately HK\$273,943,000 (2019: net cash outflow approximately HK\$148,903,000) mainly due to decrease in inventories and trade receivables. The Group's cash on hand and bank balances increased from approximately HK\$100,543,000 as at 31st December, 2019 to approximately HK\$144,354,000 as at 31st December, 2020. The Group also has restricted cash of approximately HK\$5,433,000 (31st December, 2019: approximately HK\$19,004,000) as at 31st December, 2020 which was pledged to various banks for bank facilities.

Total shareholders' funds decreased from approximately HK\$334,922,000 as at 31st December, 2019 to approximately HK\$273,591,000 as at 31st December, 2020, mainly due to the total comprehensive expense during the Year. The gearing ratio, in terms of total debts to total assets, decreased to 0.54 as at 31st December, 2020 (at 31st December, 2019: 0.71).

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 for operation, investment, and borrowings are mainly denominated in USD, HKD, Mongolian Tugrigns and RMB. Fluctuations of the exchange rates of Mongolian Tugrigns and RMB against foreign currencies could affect the operating costs of the Group. Currencies other than Mongolian Tugrigns 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, 2019.

Charge on Assets

The 37.2% of the share capital in Somina held by a wholly owned subsidiary of the Company, Ideal Mining Limited, was pledged to a bank for banking facilities granted to Somina. As security for banking facilities granted to the Group for its approximately 11.36% investment in CNNC Leasing ("Investment Interest"), the following was charged on the Group: (i) the Investment Interest; (ii) the 100% share capital in CNNC International (HK) Limited ("CNNC (HK)") (a wholly owned subsidiary of the Company and the holder of the Investment Interest); (iii) the dividend payment of CNNC Leasing; and (iv) certain bank account(s) of CNNC (HK). As security for banking facilities granted to the Group for its trading operation, certain bank account(s)

of China Nuclear International Corporation (“CNIC”), a wholly owned subsidiary of the Company, was charged. Apart from the above, there was no charge on the Group’s assets during the Year (2019: apart from the shares in Somina, Investment Interest, CNNC (HK), dividend payment of CNNC Leasing, and certain bank account(s) of CNNC (HK), and certain bank account(s) of CNIC, 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.

PREPARATION OF UNAUDITED ANNUAL RESULTS

The Board wishes to emphasize that the unaudited consolidated results of the Group for the Year set out herein is extracted directly from the latest unaudited management accounts of the Group for the Year and is subject to changes resulting from, among other things, (i) the fair market valuation of certain non-current assets; (ii) the audit work on the amounts of share of result of an associate and the carrying value of interests in associates as presented in the consolidated financial statements of the Company to be completed by the Company’s auditor under the relevant audit standard; (iii) further review by the Company and relevant professional parties; and (iv) any potential adjustments that might be necessary according to the work results of the Company’s auditor. The unaudited consolidated results of the Group for the Year is subject to change and has not been agreed by the Company’s auditor of the Company as required under Rule 13.49(2) of the Listing Rules. The audit process for the annual results for the Year has not been completed due to the increased business risk caused by the Pandemic in the financial year and the subsequent year, which in turn made it necessary in the view of the Company’s auditors to carry out additional audit procedures and works to be done on the fair market valuation and impairment loss of the Group. As informed by local mongolian sources, Mongolia has experienced major lockdowns and travel restrictions in November 2020, January and February 2021. Since then, Mongolian officials have continued highly localized lockdowns in residential buildings and businesses that have reported Pandemic exposure. In late March 2021, the Company has been informed by local Mongoilan sources that Mongolian officials have again started to order lockdowns of certain communities as confirmed cases have exceeded 200 in a single day. To facilitate the request of the Company’s auditors, the Company needs additional time to prepare the relevant information for the Company’s auditors. In order to keep the shareholders of the Company and potential investors of the Company informed of the Group’s business operation and financial position, the Board has set forth in this announcement the unaudited consolidated results of the Group for the Year as extracted from the latest unaudited management accounts of the Group for the Year. The Board confirmed that the unaudited consolidated results of the Group for the Year were prepared on the same basis as used in the audited consolidated financial statements of the Group for the year ended 31st December, 2019 except for the application of new and amendments to HKFRSs set out in note 2 to this announcement. The Board cannot

guarantee that the unaudited consolidated results of the Group for the Year truly reflects the financial performance and position of the Group and such information might be misleading if any potential adjustments have not been taken into account. The Company has been using its best endeavors to assist the Company's auditors to perform and complete their additional audit procedures. Based on the current situation and the latest discussion with the Company's auditor, the Company expects that an announcement relating to the audited annual results of the Group for the Year will be made before the end of April 2021, although this may be subject to further developments of the Pandemic outbreak.

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 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. Chan Yee Hoi (Chairman of the audit committee), Mr. Cui Liguu and Mr. Zhang Lei and one non-executive director namely Mr. Wu Ge. The Group's unaudited annual results for the Year as set out in this announcement 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. Zhang Lei and Mr. Chan Yee Hoi, one executive director namely Mr. Zhang Yi and one non-executive director namely Mr. Wu Ge.

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. Zhong Jie (Chairman of the Board and the nomination committee), one executive director namely Mr. Zhang Yi and three independent non-executive directors namely Mr. Cui Ligu, Mr. Zhang Lei and Mr. Chan Yee Hoi.

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, 2020 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.

FURTHER ANNOUNCEMENT

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completing of the audit process. The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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
Zhong Jie

Hong Kong, 31st March, 2021

As at the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Zhong Jie, executive director and chief executive officer, namely Mr. Zhang Yi, non-executive director, namely, Mr. Wu Ge and independent non-executive directors, namely, Mr. Cui Ligu, Mr. Zhang Lei and Mr. Chan Yee Hoi.