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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, 2022  
AND  
CONTINUED SUSPENSION OF TRADING**

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, 2022 (the “Period”), together with comparative figures for the corresponding period of 2021 (the “2021 Period”), as follows:

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

*For the six months ended 30th June, 2022*

		<b>Six months ended 30th June,</b>	
	<i>NOTES</i>	<b>2022</b>	<b>2021</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	573,831	94,591
Cost of sales		<u>(556,207)</u>	<u>(92,956)</u>
Gross profit		17,624	1,635
Other income and gains		1,306	1,591
Net exchange gains		624	63
Selling and distribution expenses		(544)	(850)
Administrative expenses		(12,883)	(10,901)
Share of result of an associate		19,346	15,161
Finance costs		<u>(2,871)</u>	<u>(5,361)</u>
Profit before taxation		22,602	1,338
Income tax expense	4	<u>(4,523)</u>	<u>(1,495)</u>
Profit (loss) for the period attributable to owners of the Company	5	18,079	(157)
<b>Other comprehensive (expense) income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(3,527)	(305)
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Share of exchange differences of an associate		<u>(4,722)</u>	<u>8,432</u>
Other comprehensive (expense) income for the period		<u>(8,249)</u>	<u>8,127</u>
<b>Total comprehensive income for the period, attributable to owners of the Company</b>		<u>9,830</u>	<u>7,970</u>
Basic and diluted earnings (losses) per share	7	<u><u>HK3.70 cents</u></u>	<u><u>HK(0.03) cent</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2022

		30th June, 2022	31st December, 2021
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
<b>Non-current assets</b>			
Property, plant and equipment		442	9,688
Exploration and evaluation assets		—	—
Interests in associates		471,464	437,553
		471,906	447,241
<b>Current assets</b>			
Inventories		131,846	—
Trade and other receivables and prepayments	8	71,739	16,361
Prepaid tax		1,022	—
Bank balances and cash		137,704	120,646
		342,311	137,007
<b>Current liabilities</b>			
Other payables and accruals	9	28,741	23,500
Contract liabilities		200,304	14,186
Amount due to an immediate holding company		406	—
Amount due to an intermediate holding company		1,914	1,903
Amount due to ultimate holding company		1,983	1,977
Loan from immediate holding company		12,000	12,000
Income tax payable		5,620	884
		250,968	54,450
<b>Net current assets</b>		<b>91,343</b>	82,557
<b>Total assets less current liabilities</b>		<b>563,249</b>	529,798

	<b>30th June, 2022</b>	31st December, 2021
<i>NOTES</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Non-current liability</b>		
Loan from immediate holding company	<u>218,000</u>	<u>218,000</u>
<b>Net assets</b>	<u><b>345,249</b></u>	<u><b>311,798</b></u>
<b>Capital and reserves</b>		
Share capital	4,892	4,892
Share premium and reserves	<u>340,357</u>	<u>306,906</u>
<b>Equity attributable to owners of the Company</b>	<u><b>345,249</b></u>	<u><b>311,798</b></u>

*Note:* The unaudited 2021 annual results and consolidated statement of financial position announced on 31st March, 2022 may subject to amendments upon ongoing audit progress.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2022*

## 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.

The functional currency of the Company is United States dollars (“US\$”). The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of the shareholders, as the Company is listed in Hong Kong. All values are rounded to the nearest thousand (“HK\$’000”) unless otherwise indicated.

These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the unaudited final results announcement for the year ended 31st December, 2021 (the “2021 Year”). These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. The condensed consolidated interim financial statements are unaudited but has been reviewed by the Company’s audit committee.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group’s unaudited final results announcement for the 2021 Year.

### **Application of new and amendments to Hong Kong Financial Reporting Standards**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant, and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020

The new and amendments that are effective from 1st January, 2022 did not have any significant impact on the Group’s accounting policies.

### 3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's executive director, 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 continuing operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely trading of mineral property and exploration and selling of mineral properties. They represent two major lines of continuing operating 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 selling of mineral properties — exploration and selling of uranium

The following is an analysis for the Group's revenue and results regarding the reportable and operating segments of continuing operations for the Period:

	Six months ended 30th June, 2022		
	Trading of mineral property <i>HK\$'000</i> (unaudited)	Exploration and selling of mineral properties <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	<u>573,831</u>	<u>—</u>	<u>573,831</u>
Segment profit (loss)	<u>15,354</u>	<u>(2,343)</u>	13,011
Unallocated corporate income			1,930
Unallocated corporate costs			(8,814)
Share of result of an associate			19,346
Unallocated finance costs			<u>(2,871)</u>
Profit before taxation			<u>22,602</u>

On 6th July, 2020, the Company announced to gradually reduce the scale of its supply chain business. The Company ceased all the transactions of the supply chain business, which included the trading of electronics and other products, and dispersed metal, during the year of 2020, with outstanding accounts receivable collected by the 2021 Year.

The discontinued operation of the supply chain business constituted discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in the 2021 Year.

The following is an analysis for the Group's revenue and results regarding the segments of the continuing operations and the discontinued operation for the 2021 Period:

	Six months ended 30th June, 2021			Consolidated <i>HK\$'000</i> (unaudited)
	Continuing operations	Exploration and selling of mineral properties	Discontinued operation <i>(note)</i> Supply chain	
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Segment revenue	<u>94,591</u>	<u>—</u>	<u>—</u>	<u>94,591</u>
Segment profit (loss)	<u>139</u>	<u>(1,832)</u>	<u>(2,247)</u>	<u>(3,940)</u>
Unallocated corporate income				311
Unallocated corporate costs				(4,833)
Share of result of an associate				15,161
Unallocated finance costs				<u>(5,361)</u>
Profit before taxation				<u>1,338</u>

Segment profit (loss) represents the profit earned or loss incurred by each segment of continuing operations and discontinued operation without allocation of unallocated corporate income, unallocated corporate costs, share of result of an associate and unallocated finance costs.

*Note:* The supply chain business was ceased during the year of 2020 with outstanding accounts receivable collected by the 2021 Year.

The following is an analysis of the Group's assets and liabilities by segments:

	<b>30th June, 2022 HK\$'000 (unaudited)</b>	31st December, 2021 HK\$'000 (unaudited)
<b>ASSETS</b>		
Segment assets		
— Trading of mineral property	<b>267,542</b>	56,584
— Exploration and selling of mineral properties	<b>6,831</b>	13,830
	<b>274,373</b>	70,414
Interests in associates	<b>471,464</b>	437,553
Unallocated corporate assets	<b>68,380</b>	76,281
Consolidated assets	<b>814,217</b>	584,248
<b>LIABILITIES</b>		
Segment liabilities		
— Trading of mineral property	<b>204,882</b>	2,299
— Exploration and selling of mineral properties	<b>22,306</b>	18,333
— Supply chain	—	14,186
	<b>227,188</b>	34,818
Unallocated corporate liabilities	<b>241,780</b>	237,632
Consolidated liabilities	<b>468,968</b>	272,450

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 prepayments, and bank balances and cash which are directly attributable to the relevant reportable segment.
- Segment liabilities include other payables and accruals, contract liabilities, and amounts due to an intermediate holding company, ultimate holding company and a fellow subsidiary and loan from immediate holding company which are directly attributable to the relevant reportable segment.



#### 4. INCOME TAX EXPENSE

##### Hong Kong Profits Tax

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 that are 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.

##### PRC Enterprise Income Tax (“EIT”)

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%.

##### PRC Withholding Tax

The PRC withholding tax at a rate of 10% is levied on one of the Company’s subsidiaries in Hong Kong in respect of dividend distributions arising from profits of a PRC associate.

	Six months ended 30th June,	
	2022 <i>HK\$’000</i> (unaudited)	2021 <i>HK\$’000</i> (unaudited)
The income tax expenses comprises:		
Hong Kong profits tax	1,934	—
PRC EIT	—	2
PRC withholding tax	2,589	1,493
	<u>4,523</u>	<u>1,495</u>

## 5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (Loss) for the Period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	72	410
Depreciation of right-of-use asset	—	111
Loss on disposal of property, plant and equipment	—	—
Net exchange gains	(624)	(63)
Interest income	(349)	(315)
	<u>72</u>	<u>410</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 AND DILUTED EARNINGS (LOSSES) PER SHARE

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

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company	<u>18,079</u>	<u>(157)</u>
	<b>489,168,308</b>	<b>489,168,308</b>
Number of ordinary shares for the purpose of basic earnings (losses) per share	<u>489,168,308</u>	<u>489,168,308</u>

There were no potential dilutive ordinary shares outstanding during six months ended 30th June, 2022 and 2021, and hence diluted loss per share is the same as basic loss per share.

## 8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

During the Period, the Group allows a credit period of up to 20 to 220 days to its trade customers based on the invoice date. The following is an ageing analysis of trade receivables based on the invoice date, which approximated the revenue recognition date at the end of the reporting period:

	<b>30th June, 2022</b>	31st December, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Trade receivables	68,103	—
Other receivables	2,311	774
Deposits paid	34	34
Prepayments	1,291	2,122
Amount due from an associate ( <i>note</i> )	—	13,431
	<u>71,739</u>	<u>16,361</u>

*Note:* The amount is unsecured, interest-free and repayable on demand.

An ageing analysis of the gross trade receivables as at the end of each of the period, based on the invoice date, is as follows:

	<b>30th June, 2022</b>	31st December, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
1 to 60 days	—	—
61 to 180 days	68,103	—
	<u>68,103</u>	<u>—</u>

## 9. OTHER PAYABLES AND ACCRUALS

	<b>30th June, 2022</b>	31st December, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest payables	1,047	1,047
Other payables	2,019	2,605
Amount due to a joint operator	19,770	16,431
Accruals	5,905	3,417
	<u>28,741</u>	<u>23,500</u>

The average credit period on purchase of goods is 20 days based on the date of the purchase invoice. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

*Note:* The amount is unsecured, interest-free and has no fixed terms of repayment.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Results**

For the Period, the Group has recorded a significant increase in revenue and gross profit of approximately 507% and 978% respectively, to approximately HK\$573,831,000 and HK\$17,624,000 respectively (2021 Period: revenue of approximately HK\$94,591,000; gross profit of approximately HK\$1,635,000) over the 2021 Period. The significant increase is mainly due to (i) the improved market performance of the uranium market in general and (ii) the Group's renewed efforts in developing its uranium trading business, resulting in an increase in trading volume from approximately 0.4 million pounds in the 2021 Period to approximately 1.6 million pounds in the Period. There was also an increase of share of result of an associate to approximately HK\$19,346,000 (2021 Period: approximately HK\$15,161,000), and a reduction in finance cost to approximately HK\$2,871,000 (2021 Period: approximately HK\$5,361,000). As a result of the foregoing, a net profit of approximately HK\$18,079,000 (2021 Period: a net loss of approximately HK\$157,000) was recorded for the Period.

### **Market and Business Overview**

During the Period, the Group has continued its business of trading uranium products in its normal and usual course of business with an improved market performance of the uranium market in general. In March 2020, having evaluated, among other things, the financial and inventory risks involved in the electronic products business particularly brought to light from incidents of the problematic purchases, and the uncertainties on the macro environment attributed by the COVID-19 pandemic, the management of the Company resolved to cease the electronic products business. The Company has since focused more on the uranium products trading business, and to actively seek high-quality uranium resources projects to complement the development of its parent group, as well as to leverage on the strengths of the parent group.

The Group finally ceased all transactions of the supply chain business during the year of 2020 with outstanding accounts receivable collected by the 2021 Year.

As disclosed in the announcement of the Company dated 13th November 2020, the Group was unsuccessful in the appeal to the lawsuit relating to the Mongolian Mining Project. However, on 29th October 2020, a working committee (“Committee”) including, 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, through 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 Period, the Group recorded a “Revenue” and “Cost of sales” of approximately HK\$573,831,000 (2021 Period: approximately HK\$94,591,000) and approximately HK\$556,207,000 (2021 Period: approximately HK\$92,956,000) respectively, a significant increase of approximately 507% for “Revenue” and 498% for “Cost of sales”, which resulted in a “Gross profit” of approximately HK\$17,624,000 (2021 Period: approximately HK\$1,635,000), a significant increase of approximately 978% over the 2021 Period. The significant increase is mainly due to (i) the improved market performance of the uranium market in general and (ii) the Group’s renewed efforts in developing its uranium trading business, resulting in an increase in trading volume from approximately 0.4 million pounds in the 2021 Period to approximately 1.6 million pounds in the Period.

During the Period, “Other income and gains” of approximately HK\$1,306,000 (2021 Period: approximately HK\$1,591,000) were mainly from interest income of approximately HK\$349,000 (2021 Period: approximately HK\$315,000), which was approximately 11% over the 2021 Period. “Net exchange gains” of approximately HK\$624,000 (2021 Period: approximately HK\$63,000) which were mainly due to the depreciation of assets denominated in the US\$ during the Period.

“Selling and distributing expenses” has decreased by approximately 36% to approximately HK\$544,000 (2021 Period: approximately HK\$850,000) mainly due to the costs of staff directly related to the discontinued operation of the supply chain business, and subsequently being reallocated to administrative expenses for the 2021 Period.

“Administrative expenses” amounted to approximately HK\$12,883,000 (2021 Period: approximately HK\$10,901,000), which has increased by approximately 18%, as the Group had incurred additional professional fees for, amongst others, the extended scope of work for the independent review, internal control review, and background investigation into the causes of the impairment loss of inventory of approximately HK\$52,409,000 (the “Impairment”) for the financial year ended 31st December, 2020 (the “2020 Year”). For further details and findings of such investigative works, please refer to the announcement of the Company dated 15th August, 2022 for further details.

Following the merger of our associate, CNNC Financial Leasing Company Limited (“CNNC Leasing”), with another financial leasing company within our parent group in December 2020, our interest in the associate reduced to approximately 11.36% (of the enlarged capital). The Group recorded “share of result of an associate” of approximately HK\$19,346,000 (2021 Period: approximately HK\$15,161,000), an increase of approximately 28%, as the financial results of the associate have continuously improved after the merger.

During the Period, the Group incurred “Finance costs” of approximately HK\$2,871,000 (2021 Period: approximately HK\$5,361,000) due to interests incurred for the investment in an associate. The reduction of finance costs of approximately 46% as compared to the corresponding period was due to repayments of the bank borrowings prior to the Period in relation to the investment in an associate.

During the Period, “Income tax expense” of approximately HK\$4,523,000 was provided (2021 Period: approximately HK\$1,495,000). The increase was due to the provision of PRC withholding tax of approximately HK\$2,589,000 (2021 Period: approximately HK\$1,493,000) and the assessable profits provision of Hong Kong profits tax of approximately HK\$1,934,000 (2021 Period: nil).

#### **Total comprehensive income for the Period**

Summing up the combined effects of the foregoing and income tax expense, profit for the Period was approximately HK\$18,079,000 (2021 Period: loss of approximately HK\$157,000). After taking into account of the other comprehensive expense of approximately HK\$8,249,000 (2021 Period: income of approximately HK\$8,127,000) relating to exchange differences arising from translation to presentation currency and the share of exchange difference of an associate, the total comprehensive income for the Period was approximately HK\$9,830,000 (2021 Period: approximately HK\$7,970,000).

## **Future Strategies and Prospects**

As set out in the sub-section headed “Market and Business Overview” above, as a result the Group ceased all transactions of the supply chain business during the 2020 Year with outstanding accounts receivable collected by the 2021 Year. The Group has since focused on and will continue to devote to the development of the uranium products trading business, and to actively seek high-quality uranium resources projects to complement the development of its parent group, as well as to leverage on the strengths of the parent group in the field of nuclear energy.

As disclosed in the announcement of the Company dated 23rd February, 2022, the Company (for itself and on behalf of each of its subsidiaries) and China National Uranium Corporation, Limited ((中國鈾業有限公司) (“CNUC”), an indirect holding company of the Company, (for itself and on behalf of each of its subsidiaries other than the Group (“CNUC Group”)) entered into a continuing connected transactions framework agreement (“FA”), pursuant to which the Group agreed to i) act as the prioritised supplier of CNUC Group for its short term demand for natural uranium products and the regional sole supplier of CNUC Group for its medium-to-long-term demand for natural uranium products; and ii) act as the exclusive authorised distributor for the sale and distribution of uranium products produced by the Rössing uranium mine (being indirectly owned by CNUC as to approximately 68.62%), for on-sale to third party customers in all countries and regions around the world except the PRC.

The Group believes the transactions contemplated under the FA are in line with the Group’s strategic pursuit of becoming CNUC Group’s major platform in overseas uranium resources exploration, development and trading, and will facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC and worldwide market, which in turn will enhance the Group’s profitability in the long run. The continuing connected transactions contemplated under the FA are expected to occur on a regular and continuing basis and in the ordinary and usual course of business of the Group.

On 23rd June, 2022, the Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps under the Continuing Connected Transactions have been approved by the independent shareholders of the Company at the extraordinary general meeting of the Company.

Being a member of CNUC Group and having considered the competitive edges of the Group, the Group is considered to be in a better strategic position to be designated as the procurement arm of CNUC Group in the international uranium market.

On 1st July, 2022, the Company completed a delivery of approximately 533,000 pounds of uranium products to the CNUC Group under the Uranium Supply Agreement.

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.

In relation to the Group's Mongolian Mining Project, the Group will continue to be engaged in the discussion with the Mongolian Authority to resolve the expiry issue of the exploration licenses of the Group's investment in its uranium resources project in Mongolia. 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.

In the long run, the Group also aims to expand and diversify its business by leveraging on the strengths of its ultimately holding company, China National Nuclear Corporation, in the field of nuclear energy, to develop projects with reasonable returns and continues to explore possible investment opportunities in uranium resources considering the financial health of the Company, the overall global uranium market supply and demand dynamics.

The Company will inform shareholders of the Company on any major development of the business of the Group in a timely manner and in accordance with the requirements of the Listing Rules.

### **Human Resources Management**

As at 30th June, 2022, the Group employed 26 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 inflow of approximately HK\$21,005,000 (2021 Period: net cash outflow of approximately HK\$31,809,000) during the Period, which was mainly due to the cash dividend received, net of the PRC withholding tax, from an associate of approximately HK\$13,505,000 in early 2022 and net cash outflow in repayment of bank borrowings of approximately HK\$47,500,000 in the 2021 Period. The Group's financial position remained healthy.

The working capital of the Group was generally financed by bank balance and cash. The Group's cash on hand and bank balances increased from approximately HK\$120,646,000 as at 31st December, 2021 to approximately HK\$137,704,000 as at 30th June, 2022.

Total shareholders' funds increased from approximately HK\$311,798,000 as at 31st December, 2021 to approximately HK\$345,249,000 as at 30th June, 2022, mainly due to the total comprehensive income during the Period. The gearing ratio, in terms of total debts to total assets, increased to approximately 0.58 (at 31st December, 2021: approximately 0.47) as at 30th June, 2022 due to the increase in the contract liabilities recorded in relation to the uranium trading business during the Period.



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

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the Period.

## **Exposure to Foreign Exchange Risk**

The Group's income, cost of sales, administrative expenses, finance costs, investment and loan from immediate holding company 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, 2021.

## **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 during the Period. As compared to the corresponding period last year, there was a 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). Apart from the above, there was no charge on the Group's assets during the Period and the corresponding period last year.

## **Interim Dividend**

The Board of Directors does not recommend the payment of an interim dividend for the Period (2021 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 Listing Rules throughout the Period. The Company has complied with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as set out in Chapter 13 throughout the Period, except that the Company was not able to (i) issue the audited results of the Group for the 2020 Year and 2021 Year, (ii) dispatch the annual report for the 2020 Year and 2021 Year; and (iii) convene the 2021 annual general meeting of the Company.

## **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 confirmations 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. Chan Yee Hoi, Mr. Cui Liguu and Mr. Zhang Lei, and one Non-executive director namely Mr. Wu Ge. Mr. Chan Yee Hoi 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. Cui Liguu, Mr. Zhang Lei and Mr. Chan Yee Hoi, one Executive Director namely Mr. Zhang Yi and one Non-executive Director namely Mr. Wu Ge. Mr. Cui Liguu 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. Cui Liguu,

Mr. Zhang Lei and Mr. Chan Yee Hoi, one Executive Director namely Mr. Zhang Yi and one Non-executive Director namely Mr. Zhong Jie. Mr. Zhong Jie 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, 2022 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.

### **UPDATES ON RESUMPTION PLAN OF THE GROUP AND PROGRESS OF RESUMPTION PLAN**

As disclosed in the announcement of the Company dated 29th July, 2021, 29th October, 2021 and 28th January, 2022, 28th April, 2022, and 28th July, 2022 in relation to, amongst other matters, the quarterly updates on status of resumption of trading in the Shares.

Set out below is the resumption plan with details of actions that the Company has taken or intends to take as well as the expected timeframe with a view of resumption of trading in the Shares:

#### **Key Events**

#### **Timeframe**

Conducting the Review

As disclosed in the announcement dated 28th July, 2022, the Review has been substantially completed. The draft report of the review (the “Review Report”) has been made available to the management of the Company, the Audit Committee, the Independent Director Committee, and the Auditors. Several discussions have been held in relation to the findings from the Review, and finalization of the Review Report is in progress.

## **Key Events**

Publication of the findings of the Review, including assessment of the impact of the Issues on the Group's business operation and financial position and the appropriate actions to be taken

Conducting the Internal Control Review and demonstrating that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules.

Publication of the announcement of the audited results and the annual report of the Company for 2020 Year and 2021 Year

## **Timeframe**

Based on the aforesaid progress of the Review Report, the Company announced the findings of the Review on the 15th August, 2022, including, among other things, its assessment on the impact of the Issues on the Group's business operation and financial position, remedial actions taken and to be taken by the Group and the views of and recommendations.

As disclosed in the announcement dated 28th July, 2022, the Internal Control Consultant has completed the Internal Control Review and has provided its draft report to the Independent Director Committee.

Based on the aforesaid progress, the Company announced the key findings of and the enhancement measures recommended under the Internal Control Review, the status of rectification of the Group, and the views of the Independent Director Committee on the 15th August, 2022.

The Audit Committee has maintained continued communication with the Auditors in relation to the audit progress for the annual results. Based on the latest communication with the Auditors, the Auditors advised, inter alia, that the audit work for the annual results of the Company for 2020 Year and 2021 Year would be completed after reviewing the findings of the Review.

**Key Events****Timeframe**

Resumption of trading in the Shares

The Company will endeavor to publish the announcements of the audited results and the annual reports for 2020 Year and 2021 Year as soon as practicable, the expected timeframe of which is subject to further assessment by the Board. For further details of the expected publication timeframe, please refer to the announcement of the Company dated 20th July and 29th July, 2022, 29th August, 2022, or any further update.

Subject to further assessment by the Board and confirmation of the Stock Exchange.

The Company is taking appropriate steps to resolve the Issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction with the aim of resuming trading in the shares of the Company as soon as practicable.

**CONTINUED SUSPENSION OF TRADING**

Pursuant to Rule 13.50 of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if an issuer fails to publish periodic financial information in accordance with the Listing Rules, and the suspension will normally remain in force until the issuer publishes the requisite financial information. At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30th April, 2021, and will remain suspended until further notice.

The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

## **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*  
**Zhong Jie**

Hong Kong, 31st August, 2022

*As of 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.*