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**CNNC INTERNATIONAL LIMITED**

**中核國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2302)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2021**

**ANNUAL RESULTS**

The Board of Directors (the “Board”) of CNNC International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company, together with its subsidiaries (the “Group”) for the year ended 31st December, 2021 (the “Year”), together with comparative figures for the corresponding year of 2020 (the “2020 Year”), as follows:

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

		<b>For the year ended</b>	
		<b>31st December,</b>	
		<b>2021</b>	<b>2020</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Re-presented)
<b>Continuing operations</b>			
Revenue	3	<b>280,639</b>	662,994
Cost of sales		<u>(260,029)</u>	<u>(649,981)</u>
Gross profit		<b>20,610</b>	13,013
Other income and gains and losses		<b>3,240</b>	2,120
Gain on deemed disposal of interest in an associate		—	24,999
Net exchange gains		<b>892</b>	247
Selling and distribution expenses		<b>(639)</b>	(1,459)
Administrative expenses		<b>(26,255)</b>	(15,463)
Impairment loss on property, plant and equipment		—	(11,459)
Share of result of an associate		<b>15,065</b>	(4,140)
Finance costs		<u>(9,834)</u>	<u>(14,896)</u>
Profit (loss) before tax	4	<b>3,079</b>	(7,038)
Income tax expenses	5	<u>(2,457)</u>	<u>(2,553)</u>
Profit (loss) for the year from continuing operations		<b>622</b>	(9,591)
<b>Discontinued operation</b>			
Profit (loss) for the year from discontinued operation	6	<u>1,767</u>	<u>(36,506)</u>
Profit (loss) for the year		<u><b>2,389</b></u>	<u>(46,097)</u>

	<b>For the year ended</b>	
	<b>31st December,</b>	
	<b>2021</b>	<b>2020</b>
<i>NOTES</i>	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
		(Re-presented)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	577	3,887
Share of exchange difference of an associate	22,622	22,428
Release of translation reserve upon deemed disposal of an associate	—	(6,073)
	<hr/>	<hr/>
Other comprehensive income for the year	<b>23,199</b>	20,242
	<hr/>	<hr/>
Total comprehensive income (expense) for the year attributable to owners of the Company	<b>25,588</b>	(25,855)
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings (loss) per share		
— Continuing operations	<b>HK0.1 cents</b>	HK(2.0) cents
— Discontinued operation	<b>HK0.4 cents</b>	HK(7.4) cents
	<hr/>	<hr/>
	<b>HK0.5 cents</b>	HK(9.4) cents
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2021	2020
	NOTES	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		345	151
Exploration and evaluation assets		—	—
Interests in associates		456,076	433,394
Right-of-use asset		—	222
		456,421	433,767
<b>Current assets</b>			
Inventories		682	3,803
Trade and other receivables and prepayments	9	14,714	30,346
Prepaid tax		229	172
Restricted cash		—	5,433
Bank balances and cash		120,625	144,333
		136,250	184,087
<b>Current liabilities</b>			
Other payables and accruals	10	23,600	21,592
Bank borrowing		—	282,125
Lease liability		—	228
Amount due to immediate holding company		232	—
Amount due to an intermediate holding company		1,903	1,892
Amount due to ultimate holding company		1,977	1,977
Amounts due to fellow subsidiaries		—	140
Loan from immediate holding company		12,000	—
Income tax payable		304	833
		40,016	308,787
<b>Net current assets (liabilities)</b>		<b>96,234</b>	<b>(124,700)</b>

	<b>As at 31st December,</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Total assets less current liabilities</b>	<b><u>552,655</u></b>	<u>309,067</u>
<b>Non-current liability</b>		
Loan from immediate holding company	<b><u>218,000</u></b>	<u>—</u>
<b>Net assets</b>	<b><u><u>334,655</u></u></b>	<u><u>309,067</u></u>
<b>Capital and reserves</b>		
Share capital	<b>4,892</b>	4,892
Share premium and reserves	<b><u>329,763</u></b>	<u>304,175</u>
<b>Equity attributable to owners of the Company</b>	<b><u><u>334,655</u></u></b>	<u><u>309,067</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2021*

### 1. BASIS OF PREPARATION

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

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

The functional currency of the Company is United States dollars (“US\$”). The consolidated 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.

#### **Problematic purchases in the supply chain business segment (“Problematic Purchases”)**

In 2018, the Group had commenced the supply chain business as one of its principal activities through trading of electronics products (“Electronics Products Business”) and dispersed metals (“Dispersed Metals Business”) on a back-to-back basis which was managed under essentially the same management team. Goods were arranged to be delivered to the Group’s warehouses by suppliers, certain of whom were noted to be introduced by customers, for customers’ collections within an agreed timeframe. Both the Electronics Products Business and Dispersed Metals Business were carried out in a similar manner and trading terms. Details of the financial information of the supply chain business segment were set out in Note 3.

During the period between October 2019 and February 2020, the Group entered into several transactions of electronics products with Customers A and B (“Two Customers”) and with Suppliers X, Y and Z (“Three Suppliers”). As at 31st December, 2019, there were inventories amounting to HK\$40,820,000 awaiting collection by the Two Customers and contract liabilities amounting to HK\$8,018,000 representing customers’ deposits corresponding to these inventories. In early 2020, goods costing HK\$11,589,000 and customers’ deposits of HK\$5,370,000 were further received by the Group and awaiting collection by the Two Customers. These goods, with a total cost of HK\$52,409,000, however, were not collected by the Two Customers within the agreed timeframe. During an inventory inspection exercise, management noted that certain samples of the uncollected goods might have quality issues. Management of the Company resolved to and subsequently identified and engaged a recognised independent electronic component testing institution to carry out testing of those inventories between December 2020 and February 2021. The resultant testing reports revealed that those inventories were found to include a mix of substandard, refurbished or counterfeit goods (“Problematic Goods”). As of the date of approval of these consolidated financial statements, the Problematic Goods still remain in the Group’s warehouse. Management of the Company determined to write-down the Problematic Goods costing HK\$52,409,000 in full as expense and forfeited the deposits received of HK\$13,388,000 as revenue to the consolidated statement of profit or loss and other comprehensive income during the year ended 31st December, 2020.

In light of the above circumstances, with consultation to its legal advisor as to its right and obligations under the sales and purchases contracts, the Group demanded refunds from the Three Suppliers and pursued the collections by the Two Customers concerning the Problematic Goods. During this course, management of the Company noted the following:

- i) Customer A has taken legal action against its on-sale customer and the beneficiary of this on-sale customer for breach of contracts and discovered relationship between this on-sale customer and the supplier of Supplier X, who was introduced by this on-sale customer, that they were allegedly controlled and owned by the same individuals (“Problematic Purchase 1”); and
- ii) Supplier Y did not assist the Company to follow-up the Problematic Goods with its supplier but referred the Company to the representative of Customer B for the matters in relation to the Problematic Goods. They are not responsible for the Problematic Goods. (“Problematic Purchase 2”).

After seeking legal advice and having considered the results of the laboratory testing reports, management of the Company considered both Problematic Purchases 1 and 2 might involve illegal acts perpetrated by the relevant customers and/or suppliers, and therefore decided to report these suspicious transactions to the law enforcement agencies in the PRC and Hong Kong in 2021. However, no investigation was initiated by these agencies due to lack of sufficient evidence.

With the recommendation of the audit committee (“AC”) of the Company, an independent director committee (“IDC”), comprising all independent non-executive directors, was established on 28th January, 2022 and the AC and IDC engaged SHINEWING Financial Advisory Services Limited as the independent expert (the “Independent Expert”) to perform an independent review that aims at finding the facts in relation to the Problematic Purchases and identifying the root cause(s) (the “Independent Review”).

During the Independent Review, a number of limitations was encountered by the Independent Expert. These limitations, amongst others, included failure of interviewing the customers and the suppliers of the Problematic Purchases 1 and 2 due to their non-response to the interview invitations. The scope, major procedures, findings and limitations of the Independent Review were set out in the announcement made by the Company dated 15th August, 2022.

To facilitate the Independent Review, an independent corporate investigation and risk consulting firm was further engaged to perform background investigations on the customers and suppliers of the trading of electronics products in the supply chain business and their directors and shareholders. Based on the results of the background investigations, the Independent Expert concluded that it was very likely there existed a connection between:

- (a) the alleged intermediate supplier and the alleged intermediate customer identified by Customer A in regards of Problematic Purchase 1; and
- (b) the Supplier Y and Customer B in regards of Problematic Purchase 2.

Pursuant to the Independent Review report, the root causes leading to the Problematic Purchases not being prevented and detected comprised of, amongst others:

- (i) significant internal control weaknesses, in terms of both the control environment and the implementation;

- (ii) a lax risk management approach towards the conducts of the business in favour of business growth having allowed to persist, coupled with the lack of due care and skills involved on the part of the operation team where risk concerns raised and advices given by the risk management department of the Company were at times sidestepped and neglected by the operation team; and
- (iii) imprudent business planning and design of business model, which lacked consideration of all business risks involved.

The IDC is of the view, which the audit committee and the management of the Company concurred, that the combination of system and human factors was the principal root causes leading to the Problematic Purchases, which together contributed to the failure on the part of the Company to detect and identify the Problematic Purchases, and the failed system was then exploited by the colluded customers and suppliers to conduct transactions with suspicious commercial rationale through the Group, leading to the Problematic Purchases.

Having evaluated, among other things, the financial and inventory risks involved in the supply chain business, particularly brought to light from incidents of the Problematic Purchases as set out below, and the uncertainties on the macro environment attributed by the COVID-19 pandemic, management of the Company gradually reduced the scale of the supply chain business in 2020. The supply chain business was then suspended with the last sale transaction entered into in late 2020 and discontinued in first half of 2021.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The Group has applied the following new/amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

### **Adoption of new/amendments to HKFRSs**

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The new/amendments to HKFRSs that are effective from 1st January, 2021 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 has three operating divisions, which represent the segments of continuing operations of trading of mineral properties and exploration and selling of mineral properties, and discontinued operation of the supply chain of the Group for financial reporting purposes. The Group’s segments of continuing operations and discontinued operation under HKFRS 8 are as follows:

#### Continuing operations:

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

#### Discontinued operation:

- Supply chain — selling of dispersed metals and electronics products, including but not limited to trading of flash drives, memory cards, etc.

The following is an analysis for the Group’s revenue by segments of continuing operations and discontinued operation:

For the year ended 31st December, 2021

Segments	Continuing operations		Subtotal	Discontinued operation	Total
	Trading of mineral properties	Exploration and selling of mineral properties		Supply chain	
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Trading of — uranium	<u>280,639</u>	<u>—</u>	<u>280,639</u>	<u>—</u>	<u>280,639</u>

For the year ended 31st December, 2020

Segments	Continuing operations			Discontinued operation	Total <i>HK\$'000</i>
	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	
Trading of					
— uranium	662,994	—	662,994	—	662,994
— electronic and other products	—	—	—	176,936	176,936
— dispersed metals	—	—	—	822,540	822,540
	<u>662,994</u>	<u>—</u>	<u>662,994</u>	<u>999,476</u>	<u>1,662,470</u>

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

For the year ended 31st December, 2021

	Continuing operations			Discontinued operation	Total <i>HK\$'000</i>
	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	
Segment revenue	<u>280,639</u>	<u>—</u>	<u>280,639</u>	<u>—</u>	<u>280,639</u>
Segment profit (loss)	<u>18,395</u>	<u>(3,947)</u>	<u>14,448</u>	<u>1,899</u>	<u>16,347</u>
Bank interest income					825
Unallocated corporate income					3,307
Unallocated corporate costs					(20,732)
Share of result of an associate					15,065
Unallocated finance costs					<u>(9,834)</u>
Profit before tax					4,978
Less: Profit before tax from discontinued operation					<u>(1,899)</u>
Profit before tax from continuing operations					<u>3,079</u>

For the year ended 31st December, 2020

	Continuing operations			Discontinued operation	Total <i>HK\$'000</i>
	Trading of mineral properties <i>HK\$'000</i>	Exploration and selling of mineral properties <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Supply chain <i>HK\$'000</i>	
Segment revenue	<u>662,994</u>	<u>—</u>	<u>662,994</u>	<u>999,476</u>	<u>1,662,470</u>
Segment profit (loss)	<u>7,855</u>	<u>(16,735)</u>	<u>(8,880)</u>	<u>(35,199)</u>	(44,079)
Bank interest income					410
Unallocated corporate income					2,207
Gain on deemed disposal of interest in an associate					24,999
Unallocated corporate costs					(8,535)
Share of result of an associate					(4,140)
Unallocated finance costs					<u>(13,099)</u>
Loss before tax					(42,237)
Less: Loss before tax from discontinued operation					<u>35,199</u>
Loss before tax from continuing operations					<u>(7,038)</u>

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, gain on deemed disposal of interest in an associate, unallocated corporate costs, share of result of an associate, and unallocated finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

	As at 31st December,	
	2021	2020
	HK\$'000	HK\$'000
<b>ASSETS</b>		
Segment assets		
— Trading of mineral properties	48,856	69,262
— Exploration and selling of mineral properties	4,466	4,704
— Supply chain	—	78,618
	<u>53,322</u>	<u>152,584</u>
Interests in associates	456,076	433,394
Unallocated corporate assets	<u>83,273</u>	<u>31,876</u>
Consolidated assets	<u><b>592,671</b></u>	<u><b>617,854</b></u>
<b>LIABILITIES</b>		
Segment liabilities		
— Trading of mineral properties	1,236	992
— Exploration and selling of mineral properties	18,932	19,018
— Supply chain	—	916
	<u>20,168</u>	<u>20,926</u>
Unallocated corporate liabilities	<u>237,848</u>	<u>287,861</u>
Consolidated liabilities	<u><b>258,016</b></u>	<u><b>308,787</b></u>

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

- Segment assets include property, plant and equipment, exploration and evaluation assets, inventories, trade and other receivables and prepayments, restricted cash and bank balances and cash which are directly attributable to the relevant reportable segment.
- Segment liabilities include other payables and accruals, 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			
	For the year ended 31st December, 2021		2020	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
PRC (including Hong Kong)	53,580	—	31,556	999,476
The United Kingdom	—	—	198,021	—
The United States	—	—	140,523	—
Germany	46,520	—	133,396	—
Switzerland	—	—	93,657	—
Canada	180,539	—	65,841	—
	<u>280,639</u>	<u>—</u>	<u>662,994</u>	<u>999,476</u>

#### 4. PROFIT (LOSS) BEFORE TAX

	For the year ended 31st December,	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Re-presented)	
<b>Continuing operations</b>		
Profit (loss) before tax has been arrived at after charging:		
Directors' emoluments	1,500	1,481
Other staff costs	13,290	7,885
Retirement benefit schemes contributions	1,470	410
	<u>16,260</u>	<u>9,776</u>
Total staff costs		
Depreciation of property, plant and equipment	95	895
Depreciation of right-of-use asset	111	334
	<u>206</u>	<u>1,229</u>
Total depreciation		
Auditor's remuneration		
— Current year	1,650	1,400
— Over provision in prior year	—	(181)
	<u>1,650</u>	<u>1,219</u>
Total auditor's remuneration		
Loss on disposal of property, plant and equipment	—	73
Cost of inventories recognised as an expense	260,029	649,981
Impairment loss on property, plant and equipment	—	11,459
Expenses relating to short-term leases	680	127
and after crediting:		
Bank interest income	(825)	(140)
Net exchange gains	(892)	(247)
	<u>(892)</u>	<u>(247)</u>

## 5. INCOME TAX EXPENSES

### 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 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 PRC associate.

	For the year ended 31st December,	
	2021	2020
	HK\$'000	HK\$'000
	(Re-presented)	
<b>Continuing operations:</b>		
The charge (credit) comprises:		
Current tax — Hong Kong profits tax		
Charge for the year	965	—
Over provision in prior years	(10)	(36)
Current tax — PRC EIT		
Under provision in prior years	2	—
Withholding tax on dividend received from an associate	1,500	2,589
	<u>2,457</u>	<u>2,553</u>

## 6. DISCONTINUED OPERATION

On 6th July, 2020, the Company announced to gradually reduce the scale of its supply chain management business. The supply chain business was suspended with the last sale transaction entered into in late 2020 and discontinued after the collection of the remaining trade receivables with interest in first half of 2021.

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.

## Result of discontinued operation

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Revenue	—	999,476
Cost of sales	—	(1,026,211)
Gross loss	—	(26,735)
Other income and gains	1,899	2,545
Net exchange gains	—	43
Selling and distribution expenses	—	(3,004)
Administrative expenses	—	(6,251)
Finance costs	—	(1,797)
Income tax expenses	(132)	(1,307)
Profit/(loss) for the year from discontinued operation	<u>1,767</u>	<u>(36,506)</u>

### Consolidated Statement of Cash Flows

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Net cash inflow from operating activities	798	24,943
Net cash inflow from investing activities	1,101	270
Net cash outflow from financing activities	—	(80,565)
Net cash inflow (outflow)	<u>1,899</u>	<u>(55,352)</u>

Profit/(loss) before tax has been arrived at after charging/(crediting):

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Other staff costs	—	6,258
Retirement benefit schemes contributions	—	189
Depreciation of property, plant and equipment	—	97
Loss on disposal of property, plant and equipment	—	23
Expenses relating to short-term leases	—	297
Write-down of inventories	—	52,409
Interest income from overdue trade receivables	(1,101)	(2,277)
Bank interest income	—	(270)
Net exchange gains	—	(43)



For the purpose of presenting the discontinued operation, certain comparative figures in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes have been represented to present the results of the supply chain business as discontinued operation in the comparative period.

## 7. 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, 2021.

## 8. EARNINGS (LOSS) PER SHARE

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

	<b>For the year ended 31st December,</b>	
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company		
— Continuing operations	<b>622</b>	(9,591)
— Discontinued operation	<b>1,767</b>	(36,506)
	<b><u>2,389</u></b>	<u>(46,097)</u>
	<b>For the year ended 31st December,</b>	
	<b>2021</b>	2020
	<b><i>Shares</i></b>	<i>Shares</i>
Number of ordinary shares for the purposes of calculation of earnings (loss) per share	<b><u>489,168,308</u></b>	<u>489,168,308</u>
	<b>For the year ended 31st December,</b>	
	<b>2021</b>	2020
	<b><i>HK cents</i></b>	<i>HK cents</i>
Earnings (loss) per share		
— Continuing operations	<b>0.1</b>	(2.0)
— Discontinued operation	<b>0.4</b>	(7.4)
	<b><u>0.5</u></b>	<u>(9.4)</u>

Diluted earnings (loss) per share for the years ended 31st December, 2021 and 2020 was the same as basic earnings (loss) per share as there were no potential ordinary shares in issue during the respective years.

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31st December,	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables — aged 0 to 30 days	—	29,305
Other receivables	73	91
Deposits paid	34	34
Prepayments	1,102	916
Amount due from an associate ( <i>note</i> )	13,505	—
	<u>14,714</u>	<u>30,346</u>

The Group allows a credit period of 0 to 60 days to its trade customers and presented the aged analysis of trade receivables based on the invoice date.

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

## 10. OTHER PAYABLES AND ACCRUALS

	As at 31st December,	
	2021	2020
	HK\$'000	HK\$'000
Interests payables	1,047	63
Other payables	3,025	985
Amount due to a joint operator ( <i>note</i> )	16,411	16,960
Accruals	3,117	3,584
	<u>23,600</u>	<u>21,592</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.

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

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

(The referencing notes in the below extract of independent auditor’s report should be referred to the annual report of the Group for the corresponding financial year, the Note 5 referred below are disclosed as Note 3 in this results announcement.)

The Company’s auditor, Messrs. BDO Limited (“Auditor”), has issued a qualified opinion on the Group’s consolidated financial statements for the year ended 31st December, 2021, an extract of the auditor’s report is as follows:

### **“Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Qualified Opinion**

As described in the Note 1 to the consolidated financial statements, the Group had commenced the supply chain business (as defined in Note 5 to the consolidated financial statements) as one of its principal activities through the trading of electronics products (“Electronics Products Business”) and dispersed metals (“Dispersed Metals Business”) on a back-to-back basis. Goods were arranged to be delivered to the Group’s warehouses by suppliers, certain of whom were noted to be introduced by customers, for customers’ collections within an agreed timeframe.

As further disclosed in Note 1 to the consolidated financial statements, the Group entered into several sale and purchase transactions of electronics products with two customers (“Two Customers”) and three suppliers (“Three Suppliers”) during October 2019 to February 2020. As at 31st December, 2019 and 1st January, 2020, there were inventories amounting to HK\$40,820,000 awaiting collection by the Two Customers and contract liabilities amounting to HK\$8,018,000 representing customers’ deposits corresponding to these inventories. In early 2020, goods costing HK\$11,589,000 and customer’s deposit of HK\$5,370,000 were further received by the Group and awaiting collection by the Two Customers. These goods, with a total cost of HK\$52,409,000, however, were not collected by the Two Customers within the agreed timeframe. During an inventory inspection exercise, management noted that certain samples of the uncollected goods might have quality issues. Further to the communication with one of the Two Customers, management suspected that the intermediate supplier and intermediate customer in one transaction chain might be controlled by the same parties. The management resolved to and subsequently identified and engaged a recognised

independent electronic component testing institution to carry out testing of those inventories between December 2020 and February 2021. The resultant testing reports revealed that these inventories were found to include a mix of substandard, refurbished or counterfeit goods (“Problematic Goods”). Management of the Company determined to write-down these Problematic Goods costing HK\$52,409,000 in full as expense and forfeited the deposits received of HK\$13,388,000 as revenue to consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020. As of the date of approval of these consolidated financial statements, these inventories still remain in the Group’s warehouse.

The above incidents raised our concerns as to the reason for the occurrence of the transactions related to the Problematic Goods being supplied by three different suppliers which were introduced by the Two Customers; and the relationships between the intermediate suppliers and intermediate customers. Furthermore, it was noted that the Dispersed Metals Business was also managed by the same management team and was carried out in a similar manner and trading terms as the Electronics Products Business. These circumstances led us to question the nature, business rationale and commercial substance of the transactions carried out under the supply chain business.

We have communicated our concerns to the board of directors (“the Board”) during our audit for the financial year ended 31st December, 2020 and requested explanations as to how our concerns are considered in the determination of the accounting treatments and related disclosures made in the consolidated financial statements for the year ended 31st December, 2020. However, we have not received sufficient information and explanations from the Board that could satisfy ourselves as to the nature, business rationale and commercial substance of the transactions carried out under the supply chain business.

Based on the above, we issued a disclaimer of opinion on the Group’s consolidated financial statements for the year ended 31st December, 2020 as we were unable to perform sufficient audit procedures to satisfy ourselves as to the nature, business rationale and commercial substance of the transactions carried out under the supply chain business and, as a consequence, we were unable to ascertain whether the transactions carried out under the supply chain business were fairly stated and properly accounted for in the consolidated financial statements for the year ended 31st December, 2020. These includes:

- revenue of HK\$999,476,000, cost of sales of HK\$1,026,211,000 (including the write-down of inventory of HK\$52,409,000) and other income of HK\$2,277,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31st December, 2020;
- inventories of HK\$nil, trade receivables of HK\$29,305,000, bills payables of HK\$nil and contract liabilities of HK\$nil as at 31st December, 2020; and
- the related cashflows and disclosures thereof in the consolidated financial statements.

During the year ended 31st December, 2021, as described in the Note 11 to the consolidated financial statements, the supply chain business were suspended with the last sale transaction entered into in late 2020 and discontinued in first half of 2021. Because of this, the results of the supply chain business are presented as discontinued operation and the Group has recognised a profit for the year from discontinued operation of HK\$1,767,000 during the year ended 31st December, 2021. The comparative information of the results of the supply chain business for the year ended 31st December, 2020 are re-presented as discontinued operation.

However, since the abovementioned limitation of scope remains unresolved during the audit for the consolidated financial statements for the year ended 31st December, 2021, we were unable to determine whether the profit for the year from discontinued operation of HK\$1,767,000 during the year ended 31st December, 2021, the loss for the year from discontinued operation of HK\$36,506,000 during the year ended 31st December, 2020 and the related disclosures relating to the discontinued operation are fairly stated. Any adjustments to the profit for the year from discontinued operation for the year ended 31st December, 2021, the loss for the year from discontinued operation for the year ended 31st December, 2020 and the related disclosures found necessary might have consequential impact on the financial performance for the years ended 31st December, 2021 and 2020 and the related disclosures in these financial statements.

Our audit opinion on the consolidated financial statements for the year ended 31st December, 2021 is also modified because of the possible effects of the abovementioned matter on the comparability of the current year's figures and the corresponding figures for the year ended 31st December, 2020 in the consolidated financial statements for the year ended 31st December, 2021.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

## **FINAL DIVIDEND**

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2021 (2020 Year: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market and Business Overview

#### *Results*

For the Year, while the Group has recorded a decrease in revenue of approximately 58% to approximately HK\$280,639,000 (2020 Year: approximately HK\$662,994,000), while gross profit has increased by 58% to approximately HK\$20,610,000 (2020 Year: approximately HK\$13,013,000) as compared to the 2020 Year. The decrease in revenue was attributed to a depressed uranium market for most of the Year and the negative impact on available external financial resources for the uranium trading business as a result of the share trading suspension continued during the Year. The uranium market has only been notably recovered since the last quarter of the Year, which contributed to the increase in the overall gross profit for the Year as the Group concluded a considerably sizeable uranium transaction in late 2021. There was also an increase of share of result of an associate to approximately HK\$15,065,000 (2020 Year: share of loss of approximately HK\$4,140,000), and a reduction in finance cost to approximately HK\$9,834,000 (2020 Year: approximately HK\$14,896,000). As a result of the foregoing, the Group reported a net profit from continuing operations of trading of uranium products of approximately HK\$622,000 (2020 Year: a net loss of approximately HK\$9,591,000). During the Year, the discontinued operation of the supply chain business recorded a segment profit of HK\$1,767,000 (2020 Year: a net loss of HK\$36,506,000) arising from the interest of the remaining receivables collected during the Year from then customers of the discontinued supply chain business.

#### *Market and Business Overview*

During the Year, the Group has continued its business of trading of uranium products in its normal and usual course of business. 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 “Pandemic”), the management of the Company resolved to cease the electronic products business and to wind down the dispersed metals business with an aim to cease all supply chain business. The Company has since been 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 had ceased all trading of electronic products and dispersed metals by the end of 2020 and, with the collection of the remaining trade receivables with interest from certain customers during the 2021 Year, formally discontinued the operation of the supply chain business in the 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, 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 has “Revenue” and “Cost of Sales” from the continuing operations of the trading of natural uranium of approximately HK\$280,639,000 (2020 Year: approximately HK\$662,994,000) and HK\$260,029,000 (2020 Year: approximately HK\$649,981,000) respectively, a decrease of approximately 58% for “Revenue” and 60% for “Cost of Sales”, which resulted in “Gross Profit” of approximately HK\$20,610,000 (2020 Year: approximately HK\$13,013,000) as compared to the 2020 Year. The reduction in “Revenue” was attributed to a depressed uranium market for most of the Year and the negative impact on available external financial resources for the uranium trading business as a result of the share trading suspension continued in the Year. The uranium market has only been notably recovered since the last quarter of the Year, which contributed to the increase in the overall gross profit for the Year as the Group concluded a considerably sizeable uranium transaction in late 2021.

During the Year, the Group has recorded no “Revenue” and “Cost of Sales” from the discontinued operation of the supply chain business (2020 Year: revenue of approximately HK\$999,476,000 and cost of sales of approximately HK\$1,026,211,000 which included the write-down of inventory in relation to the electronics products of approximately HK\$52,409,000), and accordingly no “Gross Profit” from the discontinued operation of the supply chain business was recorded (2020 Year: negative gross profit of approximately HK\$26,735,000), as the Group ceased all transactions of the supply chain business by the end of 2020 Year.

The Group succeeded in reversing its loss position and reported a net profit for the Year of approximately HK\$2,389,000 (2020 Year: net loss of approximately HK\$46,097,000) as compared to the 2020 Year, mainly driven by, among other things: (i) a gross profit of approximately HK\$20,610,000 (2020 Year: approximately HK\$13,013,000) from the continuing operations of the trading of natural uranium; (ii) the absence of the impairment loss on property, plant, and equipment in the Year (2020 Year: impairment loss of approximately HK\$11,459,000); (iii) a share of profit from an associate of

approximately HK\$15,065,000 in the Year (2020 Year: share of loss of approximately HK\$4,140,000); and (iv) a reduction in finance costs to approximately HK\$9,834,000 in the Year (2020 Year: approximately HK\$14,896,000).

“Other income and gains and losses”, of approximately HK\$3,240,000 (2020 Year: approximately HK\$2,120,000), was mainly due to bank interest income increased for the Year. “Net exchange gains” of approximately HK\$892,000 were recorded during the Year (2020 Year: approximately HK\$247,000) which were mainly due to the appreciation of assets denominated in the US\$ during the Year.

“Selling and distribution expenses” has decreased by approximately 56% to approximately HK\$639,000 (2020 Year: approximately HK\$1,459,000) due to a lower overall uranium trading activities in the Year as compared to the 2020 Year. “Administrative expenses” amounted to approximately HK\$26,255,000 (2020 Year: approximately HK\$15,463,000), which has increased by approximately 70%, as the Group had incurred additional professional fees for the independent review on the causes of the loss on inventory write-down in relation to electronic products of approximately HK\$52,409,000 (the “Inventory write-down”) for the 2020 Year. In addition, approximately HK\$6,251,000 of administrative expenses that were recognised under the segment of discontinued operation of the supply chain business in the 2020 the Year were subsequently being reclassified to administrative expenses for the Year.

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 was diluted to approximately 11.36% (of the enlarged capital). The Group recorded “share of result of an associate” of profits of approximately HK\$15,065,000 (2020 Year: share of loss of approximately HK\$4,140,000), an increase of approximately 464%, as the financial results of the associate have shown significant improvement after the merger.

During the Year, the Group incurred “Finance costs” of approximately HK\$9,834,000 (2020: approximately HK\$14,896,000) mainly arising from interests incurred for bank borrowings utilized in the investment in an associate, a reduction of approximately 34% due to the absence of finance costs relating to the discontinued operation of the supply chain business.

During the Year, “Income tax expense” of approximately HK\$2,457,000 was provided (2020 Year: approximately HK\$2,553,000). The decrease was mainly for reason that less PRC withholding tax was paid on dividend received from an associate.



## **Total Comprehensive Income for the Year**

Summing up the combined effects of the foregoing, net income for the Year amounted to approximately HK\$2,389,000 (2020 Year: net loss of approximately HK\$46,097,000), which consisted of net income of HK\$622,000 (2020 Year: net loss of approximately HK\$9,591,000) from the continuing operations, and net income of HK\$1,767,000 (2020 Year: net loss of HK\$36,506,000) from the discontinued operation. After taken into account of the other comprehensive income of approximately HK\$23,199,000 (2020 Year: approximately HK\$20,242,000) relating to exchange differences arising from the translation to presentation currency, and share of exchange difference of an associate, the total comprehensive income for the Year amounted to approximately HK\$25,588,000 (2020 Year: expense of approximately HK\$25,855,000).

## **FUTURE STRATEGIES**

As set out in the sub-section headed “Market and Business Overview” above, the Group ceased all trading of electronic products and dispersed metals in the 2020 Year, and formally discontinued the operation of the supply chain business in the Year. The Group intends to focus 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 FA, 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 FA.

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 most of the Year.

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 (the "Shareholders") on any major development of the business of the Group in a timely manner and in accordance with the requirements of the Listing Rules.

## **Employees and Remuneration Policies**

As at 31st December, 2021, the Group employed 22 (2020 Year: 23) full-time employees of whom 5 (2020 Year: 5) were based in Hong Kong, 13 (2020 Year: 14) were based in the PRC and 4 (2020 Year: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK\$16,260,000 (2020 Year: approximately HK\$16,223,000 (together from both continuing and discontinued operations)).

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**

The Group recorded a net cash outflow of approximately HK\$23,847,000 (2020 Year: net cash inflow of approximately HK\$41,628,000) during the Year, which was mainly due to the repayment of bank borrowings. The working capital of the Group was generally financed by bank balance and cash. The Group's cash on hand and bank balances decreased from approximately HK\$144,333,000 as at 31st December, 2020 to approximately HK\$120,625,000 and has no restricted cash as at 31st December, 2021 (at 31st December, 2020: approximately HK\$5,433,000) due to full repayment of bank borrowings during the Year. The Group's financial position remained healthy in the Year.

As stated in the audited annual result announcement for the 2020 Year, 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 inventory write-down of electronics products included in "Cost of sales" in the amount of approximately HK\$52,409,000 in the consolidated financial statements for the 2020 Year. During the Year, the Group obtained a three years term loan of approximately HK\$230,000,000 (the "Loan") from its immediate shareholder, which was utilized to fully repay the aforesaid bank borrowing. The Loan was fully exempt from the Listing Rules for connected transaction requirements as: (1) the Loan was conducted on normal commercial terms or better; and (2) the Loan was not secured by the assets of the Group. The proceeds of the Loan were applied to the repayment of Group's bank borrowing. At the end of the Year, the Group did not have any outstanding bank borrowing.

During the Year, as stated above the Group repaid all bank borrowings (at 31st December, 2020: HK\$282,125,000). As at 31st December, 2021, the Group had net current assets amounting to approximately HK\$96,234,000 (at 31st December, 2020: net current liabilities of approximately HK\$124,700,000) and current liabilities amounting to approximately HK\$40,016,000 (at 31st December, 2020: approximately HK\$308,787,000). As at 31st December, 2021, the Group had no trade receivable (at 31st December, 2020: approximately HK\$29,305,000) and no trade payable (at 31st December, 2020: Nil). Capital expenditures on property, plant and equipment were approximated HK\$281,000 during the Year (2020 Year: approximately HK\$280,000).

Total shareholders' funds increased from approximately HK\$309,067,000 as at 31st December, 2020 to approximately HK\$334,655,000 as at 31st December, 2021, mainly due to the total comprehensive income during the Year. The gearing ratio, in terms of total debts to total assets, decreased to 0.44 (2020 Year: 0.50) as at 31st December, 2021 due to the repayment in bank borrowings during the Year.

On 17th June, 2022, CNNC Treasury Management Co. Limited ("CNNCTM") entered into a loan agreement (the "Loan Agreement") with the Company, pursuant to which CNNCTM agreed to provide a revolving loan for a maximum principal amount of US\$50,000,000 (the "Trade Loan") to the Company with a drawdown period of one year, during which the Company can make multiple drawdowns in accordance with the terms of the Trade Loan. CNNCTM is a subsidiary of China National Nuclear Corporation ("CNNC", together with its subsidiaries but excluding the Group, the "Parent Group"), which in turn is the ultimate controlling shareholder (has the meaning ascribed to it under the Listing Rules) of the Company holding an indirect interest in approximately 66.72% of the issued share capital of the Company.

Under the terms of the Loan Agreement, the interest rate of any amount drawn down from the Trade Loan shall be subject to an interest rate charge of LIBOR + 1.60% per annum, which is the same as the interest rate under similar bank facilities the Group had obtained in recent years (prior to the repayment in full of its last outstanding trade loan in November 2020), and shall be utilized solely for the purpose of the Group's uranium trading business. No financial or other covenants are required to be given by the Group, and the Trade Loan would not be secured by assets of the Group.

As at 17th June, 2022, CNNC, as the ultimate controlling shareholder (has the meaning ascribed to it under the Listing Rules) of the Company, holds an indirect interest in approximately 66.72% of the issued share capital of the Company, and hence CNNCTM, being a subsidiary of CNNC, is a connected person of the Company pursuant to the Listing Rules. As such, the Trade Loan constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.90 of the Listing Rules, financial assistance received by the Company from a connected person is fully exempt if it is conducted on normal commercial terms or better and it is not secured by the assets of the Group. As such, the Trade Loan would be fully exempt from all disclosure, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Trade Loan demonstrates the commitment and full support of the Parent Group towards the Group in its future development in the uranium trading business. The Directors believed the Trade Loan would provide financial support to the Group to enlarge its uranium trading business.

### **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, 2020.

### **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 compared to the 2020 Year, during the 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). The above banking facilities were fully repaid on 27th October, 2021, the corresponding security were fully released.

Apart from the above, there was no other charge on the Group's assets during the Year and the 2020 Year.

## **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.

## **MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS**

Since financial information contained in the Unaudited Final Results Announcement published on 31st March, 2022 was neither audited nor agreed with the Auditor, and subsequent adjustments have been made to such information. Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited final results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

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

		(As set out in the Unaudited Final Results Announcement)		
		31st December, 2021	Adjustments	31st December, 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK'000</i>	<i>HK\$'000</i> (Audited)
Other income and gains	1)	4,317	(1,077)	3,240
Net exchange (losses) gains	2), 3)	(202)	1,094	892
Selling and distribution expenses	4)	(1,128)	489	(639)
Administrative expenses	5)	(26,775)	520	(26,255)
Share of result of an associate	6a)	16,543	(1,478)	15,065
Profit before tax		3,531	(452)	3,079
Income tax expenses	1)	(2,368)	(89)	(2,457)
Profit for the year from continuing operations		1,163	(541)	622
Profit for the year from discontinued operation	1), 3)	—	1,767	1,767
Profit for the year		1,163	1,226	2,389
<b>Other comprehensive income</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Share of exchange difference of an associate		22,619	3	22,622
Exchange differences arising on translation of foreign operations	2)	2,285	(1,708)	577
Total comprehensive income for the year attributable to owners of the Company		26,067	(479)	25,588
Basic and diluted earnings per share		0.24 cents	0.26 cents	0.5 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(As set out in the Unaudited Final Result Announcement) 31st December, 2021 <i>HK\$'000</i> (Unaudited)	Adjustments <i>HK'000</i>	31st December, 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>			
<b>Non-current assets</b>				
Property, plant and equipment	5a), 5b)	9,688	(9,343)	345
Interests in associates	6b), 6c)	437,553	18,523	456,076
<b>Current assets</b>				
Inventories		—	682	682
Prepaid tax		—	229	229
Trade and other receivables and prepayments		16,361	(1,647)	14,714
Bank balance and cash		120,646	(21)	120,625
<b>Current liabilities</b>				
Other payables and accruals		(23,500)	(100)	(23,600)
Contract liabilities	3)	(14,186)	14,186	—
Amount due to immediate holding company		(12,000)	11,768	(232)
Loan from immediate holding company		—	(12,000)	(12,000)
Income tax payable		(884)	580	(304)
<b>Net current assets</b>		82,557	13,677	96,234
<b>Total assets less current liabilities</b>		529,798	22,857	552,655
<b>Net assets</b>				
Share premium and reserves	2)	311,798	22,857	334,655
		306,906	22,857	329,763



*Notes:*

- 1) The difference is mainly due to the reclassification of profit or loss items related to the discontinued supply chain business to profit for the year from discontinued operation.
- 2) The difference is mainly due to the reclassification of exchange difference recognised on translation to foreign operations from net exchange loss to translation reserve.
- 3) The difference is mainly due to the recognition of the forfeited customer deposits of approximately HK\$798,000 (2020: HK\$13,388,000) in the profit for the year from discontinued operation.
- 4) The difference is mainly due to reallocation of selling and distribution expenses to administrative expenses during the Year.
- 5) In addition to the reallocation effect on Note 4 above, the differences are mainly due to:
  - a) reversal of depreciation effects of approximately HK\$918,000 on the carrying amounts of property, plant, and equipment in Mongolia, since the Group have fully impaired the property, plant, and equipment in Mongolia in the Year 2020.
  - b) brought forward adjustment of impairment related to the Group's projects in Mongolia in Year 2020.
- 6) The difference was mainly arisen from updates on general accepted accounting principles adjustments relating to
  - a) adoption of HKFRS 15 "Revenue from Contracts with Customers" contributes to decrease of profit sharing of HK\$792,000 in the Year 2021;
  - b) brought forward adjustment of adoption of HKFRS 15 "Revenue from Contracts with Customers" contributes to increase of profit sharing of HK\$1,153,000 in the Year 2020; and
  - c) brought forward adjustment of HK\$24,999,000 related to the Merger in the Year 2020.

## **SCOPE OF WORK OF MESSRS. BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2021 as set out in this announcement have been agreed by the Auditor, Messrs. BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year approved by the Board of Directors on 9th September, 2022. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. BDO Limited on this announcement.

## **IMPORTANT EVENTS AFTER THE YEAR**

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.

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.

Save as disclosed above, there are no other important events occurred subsequent to the Year.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

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

## **AUDIT COMMITTEE**

An audit committee (the “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 Liguó 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 consolidated financial statements for the Year have been audited by the Auditor, Messrs. BDO Limited, who has issued a qualified opinion.

The Audit Committee has reviewed the Group’s audited annual results for the Year as set out in this announcement and discussed with the management and the Auditor on the accounting principles and practices adopted by the Group with no disagreement 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 Liguó, 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 Liguó 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 Liguó, 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**

The electronic version of this announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cnncintl.com>). An annual report for the year ended 31st December, 2021 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange as well as the Company in due course.

## **VIEWS OF THE AUDIT COMMITTEE AND THE BOARD ON THE AUDITOR'S OPINION**

As set out in “Extract of Independent Auditor’s Report” in this announcement, the auditor’s opinion on the Group’s consolidated financial statements for the Year was qualified (the “Qualified Opinion”) to the extent that the Auditor was unable to determine whether the profit for the Year from the discontinued operation (the “Discontinued Operation Profit”), the loss for the year from discontinued operation during the 2020 Year, and the related disclosures relating to the discontinued operation are fairly stated. The Discontinued Operation Profit represented the remaining trade receivables with interest received during the Year from the then customers of the already ceased supply chain business of the Group (the “Supply Chain Business”), in relation to which the Auditor had concerns on the performance and financial positions of the Supply Chain Business for the 2020 Year and as at 31st December, 2020, respectively, due to certain problematic purchases of the Group (the “Problematic Purchases”), and issued a disclaimer of opinion on the Group’s consolidated financial statements for the 2020 Year (the “2020 Year Auditor’s Opinion”). For further details of the views of the Audit Committee and the Board on the 2020 Year Auditor’s Opinion, please refer to the announcement of the Company dated 9th September, 2022 in relation to the final results of the Group for the 2020 Year for further details.

Having taken into account the abovementioned factors into consideration, the Audit Committee and the Board consider that the Qualified Opinion was substantively a residual effect from the Problematic Purchases, and therefore, was limited to the discontinued operation of the Group, and that the consolidated financial statements of the Group for the Year give a true and fair view of the performance and financial positions of the continuing operations the Group for the Year and as at 31st December, 2021, respectively.

## **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  
**Zhong Jie**  
*Chairman*

Hong Kong, 9th September, 2022

*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 Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi.*