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, 2012

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, 2012 (the "Period"), together with comparative figures for the corresponding period of 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	NOTES	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations			
Revenue	3	—	—
Other income, gains and losses		**3,546**	4,497
Administrative expenses		**(9,212)**	(9,925)
Other expenses		**(228)**	(237)
Share of loss of an associate		**(5,347)**	(4,322)
Effective interest expenses on convertible notes		**(16,282)**	(21,185)
Loss before taxation	4	**(27,523)**	(31,172)
Taxation credit	5	**2,114**	2,069
Loss for the period from continuing operations		**(25,409)**	(29,103)
Discontinued operations			
Loss for the period from discontinued operations	6	—	(5,795)
Loss for the period		**(25,409)**	(34,898)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(260)**	1,272
Total comprehensive expense for the period, attributable to owners of the Company		**(25,669)**	(33,626)
Loss per share			
From continuing and discontinued operations			
— Basic and diluted	8	**(HK5.2 cents)**	(HK8.1 cents)
From continuing operations			
— Basic and diluted	8	**(HK5.2 cents)**	(HK6.8 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	30th June, 2012 HK$'000 (unaudited)	31st December, 2011 HK$'000 (audited)
Non-current assets		
Property, plant and equipment	**34,376**	35,473
Exploration and evaluation assets	**202,923**	199,170
Interest in an associate	**442,400**	447,747
	679,699	682,390
Current assets		
Inventories	**278,684**	278,684
Other receivables and prepayments	**5,016**	46,016
Bank balances and cash	**410,941**	383,714
	694,641	708,414
Current liabilities		
Other payables and accruals	**12,657**	13,480
Convertible notes	**395,748**	—
	408,405	13,480
Net current assets	**286,236**	694,934
Total assets less current liabilities	**965,935**	1,377,324
Non-current liabilities		
Convertible notes	**—**	383,606
Deferred tax liabilities	**255**	2,369
	255	385,975
Net assets	**965,680**	991,349
Capital and reserves		
Share capital	**4,892**	4,892
Reserves	**960,788**	986,457
Equity attributable to owners of the Company	**965,680**	991,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA:

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior periods.

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. The following amendments have been issued after the date the consolidated financial statements for the year ended 31st December, 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.

The directors of the Company anticipate that the application of these amendments will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to the Group's executive directors, the Group chief operating decision marker, for the purpose of resource allocation and performance assessment.

The segment information regarding its continuing operations reported below relates to the Group's solo operating and reportable segment under HKFRS 8 of the exploration and trading of mineral properties (i.e. uranium) and does not include the amounts for the manufacture and distribution of die casting parts which has been presented as discontinued operations for the six months ended 30th June, 2011 as described in note 6.

The following is an analysis for the Group's results regarding the sole reportable and operating segment, i.e. the exploration and trading of mineral properties, for the current and prior periods:

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Segment revenue	**—**	—
Segment loss	**(4,883)**	(1,576)
Share of loss of an associate	**(5,347)**	(4,322)
Interest income	**3,165**	1,030
Central administration costs	**(4,176)**	(5,119)
Effective interest expenses on convertible notes	**(16,282)**	(21,185)
Loss before taxation (continuing operations)	**(27,523)**	(31,172)

Segment loss represents the loss incurred from the segment without allocation of share of loss of an associate, interest income, central administration costs and effective interest expenses on convertible notes.

4. LOSS BEFORE TAXATION

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**105**	324
Loss on written off/disposal of property, plant and equipment	**794**	37
Net exchange losses (gains)	**44**	(3,467)
Interest income	**(3,165)**	(1,030)

5. TAXATION CREDIT

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations		
Deferred taxation credit	**2,114**	2,069

The taxation credit represents deferred taxation arising from the temporary difference on convertible notes during both periods.

No provision for Hong Kong Profits Tax nor provision for income tax in other jurisdictions has been made in the condensed consolidated financial statements as the group companies incurred tax losses for both periods.

6. DISCONTINUED OPERATIONS

On 7th May, 2011, the Company entered into a conditional sale agreement to dispose of its 100% equity interest in United Non-Ferrous (Overseas) Limited ("United Non-Ferrous") together with its subsidiaries (collectively referred to as the "Disposal Group") to an independent third party at a consideration of HK$159,000,000. The Disposal Group carried out all of the Group's manufacture and distribution of die casting parts, which was classified as discontinued operations. Details of the transaction are set out in the Company's circular dated 15th June, 2011. The disposal was completed on 29th July, 2011. Consideration of HK$119,250,000 was received during the year ended 31st December, 2011 and the remaining consideration of HK$39,750,000 was received during the six months period ended 30th June, 2012.

7. DIVIDENDS

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

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company	**(25,409)**	(34,898)

	Six months ended 30th June, 2012	2011
Number of ordinary shares for the purposes of basic and diluted loss per share	**489,168,308**	429,168,308

From continuing operations

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

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Losses figures are calculated as follows:		
Loss for the period attributable to owners of the Company	**(25,409)**	(34,898)
Less: Loss for the period from discontinued operations *(note 6)*	**—**	5,795
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(25,409)**	(29,103)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

For the six months ended 30th June, 2011, basic and diluted loss per share from discontinued operations was approximately HK1.4 cents based on the loss for the period from discontinued operations of approximately HK$5,795,000 and the denominators detailed above for both basic and diluted loss per share.

The above computation of diluted loss per share for both periods does not assume the conversion of the Group's convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

MANAGEMENT DISCUSSION & ANALYSIS

Following to the disposal of the entire interest in United Non-Ferrous (Overseas) Limited and its subsidiaries ("Disposal Group") (the "Disposal") previously held by the Company in 2011, during the Period under review, the Group's main activities were the exploration and trading of uranium mineral properties.

Business review

The Group continued to develop the two uranium resources projects. For the Mongolian project, the Group has been actively applying for mining licenses for with aim of obtaining those licenses from the Mongolian government authority within the year. Currently, negotiations were conducted between the Group and the Mongolian government to form a joint venture company to develop the Mongolian project. The allocation of equity for the Mongolian project will be in compliance with the relevant policies for strategic investment of resources in Mongolia. The Group will own 49% of the joint venture company. The Niger project has begun trial production and its production process is being refined and adjusted for full production. The Group has continued to search for optimum opportunities for the uranium trading business and had identified a buyer for the uranium mineral properties currently in stock. The sale transaction is expected to complete in the second half of 2012.

Continuing operations

As discussion above, revenue of trading of uranium mineral properties is expected to be booked in the second half of 2012, no revenue was recorded for the Period under review (six months ended 30th June, 2011: nil). Other income, gains and losses of approximately HK$3,546,000 (six months ended 30th June, 2011: approximately HK$4,497,000) were mainly from interest income. There was a decrease of approximately 21.4% due to the absence of the exchange gains from the appreciation of Renminbi deposits for the Period under review when compared to the corresponding period last year. Administrative expenses were reduced during the Period by approximately 7.2% to approximately HK$9,212,000 (six months ended 30th June, 2011: approximately HK$9,925,000), reflecting the stringent cost control measures by the Group. Other expenses of approximately HK$228,000 (six months ended 30th June, 2011: approximately HK$237,000) were in line with the corresponding period last year.

Share of loss of an associate of approximately HK$5,347,000 (six months ended 30th June, 2011: approximately HK$4,322,000) was related to the equity share of losses of Société des Mines d'Azelik S.A. ("SOMINA") through the acquisition of Ideal Mining Limited ("Ideal Mining") in March 2010. SOMINA has begun trial production. The increase in losses of SOMINA of approximately 23.7% during the Period was due to the increase in administrative expenses incurred by SOMINA for the preparation of full production.

Following to the conversion of the HK$106,200,000 convertible notes, which were issued in November 2008, in November 2011, the effective interest expenses on convertible notes were reduced by approximately 23.2% during the Period. The interest expenses of approximately HK$16,282,000 (six months ended 30th June, 2011: approximately HK$21,185,000) was related to the HK$414,000,000 convertible note issued to CNNC Overseas Uranium Holding Limited in March 2010 ("CN 2010") with coupon rate of 2% per annum. The CN 2010 was appraised to have an effective interest rate of 8.80%.

Discontinued operations

The loss of the discontinued operations was derived from the die casting business of the Disposal Group. The Disposal was completed in July 2011 and therefore there were no discontinued operations in the Period.

Comprehensive expense for the Period

Summing up the combined effects of the foregoing, loss for the Period amounted to approximately HK$25,409,000 (six months ended 30th June, 2011: loss of approximately HK$34,898,000). After taken into account of loss of approximately HK$260,000 (six months ended 30th June, 2011: gain of approximately HK$1,272,000) of the exchange differences arising on translation of foreign currencies, the total comprehensive expense for the Period amounted to approximately HK$25,669,000 (for the six months ended 30th June, 2011: approximately HK$33,626,000), a reduction of loss of approximately 23.7%.

Future strategy and outlook

The Company will continue to develop its uranium product trading business and create better conditions to boost the sales of its products so as to generate business gains from trading uranium products for the Company as well as stabilize the income from its principal business. With the sale of uranium product currently in stock in the second half of 2012, the results of 2012 are expected to be substantially improved.

The focus of the second half of 2012 will be the review and appraisal of the feasibility report and the environmental impact assessment report required for the application of the mining licenses of the Mongolian project. It is hoped that the entering into of the joint venture agreement, the execution of the articles of association and investment agreement, and the approval of mining licenses for uranium application will be completed by the end of 2012. The development for this investment project is expected to commence in 2013.

The Company is devoted to seeking for quality uranium projects. Currently, impacted by the global economic crisis and the Fukushima incident in Japan, the uranium industry and market is at its new low, revealing a new “inflow of opportunities” and offering a great timing to invest in the field of uranium resources. Through investing in new projects, the stability of the uranium reserve of the Group will be strengthened.

Human Resources Management

As at 30th June, 2012, the Group employed approximately 18 fulltime 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$28,182,000 during the Period, which was mainly due to the receipt of the last instalment of for disposal of subsidiary, resulting in cash-on-hand and bank balances of approximately HK$410,941,000 as at 30th June, 2012. During the Period, the Group still held the uranium products purchased in 2010 for the continued operations. The Group's financial position remained healthy. The gearing ratio, which is represented by the ratio of total debts to total assets, amounted to 0.30 as at 30th June, 2012 (as at 31st December, 2011: 0.29).

The working capital of the Group was generally financed by bank and cash balance. As at 30th June, 2012, the Group's cash-on-hand and bank balances amounted to approximately HK$410,941,000 (as at 31st December, 2011: approximately HK$383,714,000) and had no bank loan outstanding (as at 31st December, 2011: nil). The CN 2010 was due to expire in 2013, as a result the Group's net current assets decreased and current liabilities increased to approximately HK$286,236,000 (as at 31st December, 2011: approximately HK$694,934,000) and approximately HK$408,405,000 (as at 31st December, 2011: approximately HK$13,480,000) respectively as at 30th June, 2012.

Total shareholders' funds decreased from approximately HK$991,349,000 as at 31st December, 2011 to approximately HK$965,680,000 as at 30th June, 2012, as a result of the recognised loss incurred for the Period.

Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Exposure to Foreign Exchange Risk

The Group's income, expenditure of raw materials, manufacturing, investment and borrowings are mainly denominated in USD, HKD, Mongolian Tugrik and RMB. Fluctuations of the exchange rates of Mongolian Tugrik and RMB against foreign currencies could affect the operating costs of the Group. Currencies other than Mongolian Tugrik and RMB were relatively stable during the Period, the Group did not expose to significant foreign exchange risk. 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 minimize 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, 2011.

Charge on Assets

Apart from the 37.2% of the share capital in SOMINA held by Ideal Mining pledged to a bank for banking facilities granted to SOMINA, there was no charge on the Group's assets during the Period (six months ended 30th June, 2011: apart from the shares in SOMINA, Nil).

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the Period (six months ended 30th June, 2011: Nil).

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

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

Code on Corporate Governance Practices

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. The Company has received confirmation from all directors that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Period.

Audit Committee

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

Remuneration Committee

In accordance with the requirements of the CG Code, a Remuneration Committee has been established by the Company to consider the remuneration of directors of the Company. The Remuneration Committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei, one executive director namely Mr. Han Ruiping and one non-executive director namely Mr. Xu Shouyi. Mr. Cui Liguo is the Chairman of the Remuneration Committee.

Nomination Committee

In accordance with the requirements of the CG Code, a Nomination Committee has been established by the Company to review the structure of the Board and identify individuals suitably qualified to become Board Members. The Nomination Committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei, one executive director namely Mr. Han Ruiping and one non-executive director namely Mr. Cai Xifu. Mr. Cai Xifu 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 of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk). An interim report for the six months ended 30th June, 2012 containing all the information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange as well as the Company in due course.

Appreciation

The Board would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
CNNC International Limited
中核國際有限公司
Chairman
Cai Xifu

Hong Kong, 23rd August, 2012

As of the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Cai Xifu, executive directors, namely, Mr. Han Ruiping and Mr. Xu Hongchao, non-executive director, namely, Mr. Xu Shouyi and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei.