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, 2014

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, 2014 (the "Period"), together with comparative figures for the corresponding period of 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

		Six months ended 30th June,	
	NOTES	**2014** *HK$'000* **(unaudited)**	2013 *HK$'000* (unaudited)
Revenue	3	**520,380**	608,677
Cost of sales		**(494,269)**	(538,010)
Gross profit		**26,111**	70,667
Other income, gains and losses		**2,018**	5,157
Administrative expenses		**(9,704)**	(9,038)
Other expenses		**(240)**	(279)
Impairment loss of interest in an associate		**—**	(15,000)
Share of loss of an associate		**(70,641)**	(31,218)
Effective interest expenses on convertible notes		**—**	(8,093)
(Loss) profit before taxation	4	**(52,456)**	12,196
Income tax expense	5	**(8,515)**	(13,864)
Loss for the period		**(60,971)**	(1,668)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**13**	116
Total comprehensive expense for the period, attributable to owners of the Company		**(60,958)**	(1,552)
Basic loss per share	7	**(HK12.46 cents)**	(HK0.34 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	30th June, 2014 HK$'000 (unaudited)	31st December, 2013 HK$'000 (audited)
Non-current assets		
Property, plant and equipment	**24,564**	27,068
Exploration and evaluation assets	**201,235**	198,560
Interest in an associate	**245,524**	316,077
	471,323	541,705
Current assets		
Inventories	**72,078**	98,814
Trade and other receivables and prepayments	**4,488**	4,211
Amount due from immediate holding company	**52,038**	—
Amount due from an associate	**35,745**	55,942
Loan to an associate	**34,110**	—
Bank balances and cash	**259,651**	293,898
	458,110	452,865
Current liabilities		
Trade and other payables and accruals	**13,347**	26,800
Amount due to an intermediate holding company	**2,371**	1,588
Amount due to a fellow subsidiary	**—**	24
Income tax payable	**27,702**	19,187
	43,420	47,599
Net current assets	**414,690**	405,266
Net assets	**886,013**	946,971
Capital and reserves		
Share capital	**4,892**	4,892
Reserves	**881,121**	942,079
Equity attributable to owners of the Company	**886,013**	946,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) — Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs in current interim period has had no material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The following amendments and interpretation have been issued after the date the consolidated financial statements for the year ended 31st December, 2013 were authorised for issuance and are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]

[1] Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

[2] Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016

[3] Effective for annual periods beginning on or after 1st January, 2017

[4] Effective for annual periods beginning on or after 1st July, 2014

[5] Effective for annual periods beginning on or after 1st January, 2016

[6] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions

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

3. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided. The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely trading of mineral property and exploration and trading of mineral property. They represent two major lines of business engaged by the Group. The Group's operating segments under HKFRS 8 are as follows:

- Trading of mineral property — trading of uranium
- Exploration and trading of mineral property — exploration and trading of uranium

The following is an analysis for the Group's results regarding the reportable and operating segments for the current and prior periods:

	Six months ended 30th June, 2014		
	Trading of mineral property	**Exploration and trading of mineral property**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Segment revenue	**520,380**	**—**	**520,380**
Segment profit (loss)	**25,685**	**(75,805)**	**(50,120)**
Interest income			**1,778**
Central administration costs			**(4,114)**
Loss before taxation			**(52,456)**

	Six months ended 30th June, 2013		
	Trading of mineral property	Exploration and trading of mineral property	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Segment revenue	608,677	—	608,677
Segment profit (loss)	69,972	(47,420)	22,552
Interest income			2,263
Central administration costs			(4,526)
Effective interest expenses on convertible notes			(8,093)
Profit before taxation			12,196

Segment (loss) profit represents the (loss incurred) profit earned from the segment without allocation of interest income, central administration costs and effective interest expenses on convertible notes.

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

	30th June, 2014 HK$'000 (unaudited)	31st December, 2013 HK$'000 (audited)
ASSETS		
Segment assets		
— Trading of mineral property	**193,971**	154,756
— Exploration and trading of mineral property	**477,529**	549,535
	671,500	704,291
Unallocated assets	**257,933**	290,279
Consolidated assets	**929,433**	994,570
LIABILITIES		
Segment liabilities		
— Trading of mineral property	**—**	10,019
— Exploration and trading of mineral property	**13,736**	14,646
	13,736	24,665
Unallocated liabilities	**29,684**	22,934
Consolidated liabilities	**43,420**	47,599

For the purposes of monitoring segment performance and allocating resources:

- Segment assets include property, plant and equipment, exploration and evaluation assets, interest in an associate, inventories, trade and other receivables and prepayments, amounts due from immediate holding company and an associate, loan to an associate and bank balances and cash which are directly attributable to the relevant reportable segment.

- Segment liabilities include trade and other payables and accruals and amounts due to an intermediate holding company and a fellow subsidiary which are directly attributable to the relevant reportable segment.

4. LOSS (PROFIT) BEFORE TAXATION

	Six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Loss (profit) before taxation has been arrived at after charging (crediting):		
Allowance for inventories (included in cost of sales)	**26,736**	—
Depreciation of property, plant and equipment	**1,300**	554
Loss on written off/disposal of property, plant and equipment	**1,199**	—
Net exchange losses (gains)	**1,168**	(2,894)
Interest income		
— Banks	**(1,345)**	(2,263)
— An associate	**(433)**	—

5. INCOME TAX EXPENSE

	Six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Current tax — Hong Kong Profits tax	**8,515**	—
Current tax — PRC enterprise income tax	**—**	14,209
Deferred tax credit	**—**	(345)
	8,515	13,864

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for foreign enterprises is 25% from 1st January, 2008 onwards.

In the prior period, the deferred tax credit represented deferred taxation arising from the temporary differences on convertible notes.

6. DIVIDENDS

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

7. BASIC LOSS PER SHARE

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

	Six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company	**(60,971)**	(1,668)

	Six months ended 30th June, 2014	2013
Number of ordinary shares for the purposes of basic loss per share	**489,168,308**	489,168,308

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

During the Period, the Group continued to develop its uranium product trading business. However, the downturn of the uranium product market led to a continual decline in the market price of uranium products, together with adequate supply of goods in the market, resulting in the decline of gross profit margin of the uranium product trading business of the Group and the inventory was subject to impairment adjustment accordingly.

Through the acquisition of Ideal Mining Limited ("Ideal Mining"), the Group holds 37.2% equity interest in Société des Mines d'Azelik S.A. ("Somina") which owns a uranium mine in Niger. Since the commencement of production operation, due to the military coup in Niger in 2010, the favourable loan from the Nigerian government has still not been granted, the after effect of Fukushima has caused the uranium prices at low level, in addition, the production process of Somina had encountered multiple difficulties. With issues such as project delays, construction budget exceeded and under production which led to heavy losses and causing default repayment of bank loans. Somina is now reviewing its production plans and reforming its strategies.

The Group has made significant progress in the application of mining license for its Mongolian uranium mining project. During the Period, the Mongolian project obtained the approval of the relevant department of the Mongolian Government on the feasibility study report of the project. Negotiations with the Mongolian Government to develop the Mongolian project have been taken place so as to form a joint venture company for developing the project together according to the law of Mongolia. Currently, all the conditions precedent for the application of the mining license will be fulfilled upon the approval of updated revision of environmental assessment reports of the Mongolian project by the Mongolian authority.

Operations

During the Period, the Group achieved the sales volume of approximately 600 tonnes of uranium product (six months ended 30th June, 2013: approximately 552 tonnes) which recorded a turnover of approximately HK$520,380,000 (six months ended 30th June, 2013: approximately HK$608,677,000) and realized a gross profit of approximately HK$26,111,000 (six months ended 30th June, 2013: approximately HK$70,667,000). Turnover was approximately 14.5% lower than that of the corresponding period last year as the market price of uranium products continued to decline. Cost of sales included the impairment loss of inventory of approximately HK$26,736,000 (six months ended 30th June, 2013: nil) arising from the decline in the market price of uranium products. Excluding the impairment loss, the gross profit margin during the Period was approximately 10.2% (six months ended 30th June, 2013: approximately 11.6%).

Other income, gains and losses of approximately HK$2,018,000 (six months ended 30th June, 2013: approximately HK$5,157,000) were mainly from interest income. The reason for the decline compared to the corresponding period last year was attributable to the cash available for interest-bearing deposit during the Period was less than that of the corresponding period last year due to the redemption of the convertible bond of HK$414,000,000 issued in March 2010 (the "CN 2010") in the corresponding period last year, the interest income thus decreased. During the Period, due to the completion of the feasibility study report on the Mongolian project, the administrative expenses of approximately HK$9,704,000 (six months ended 30th June, 2013: approximately HK$9,038,000) was approximately 7.4% above to that of the corresponding period last year.

The share of loss of an associate of approximately HK$70,641,000 (six months ended 30th June, 2013: approximately HK$31,218,000) belonged to the share of loss of 37.2% of Somina during the Period, and the amortisation charge to write off the fair value upon acquisition of the Somina project according to the production amount as required by the accounting standards. Facing the uncertain market sentiment, the performance of Somina's production has been well below expectation. Together with project delays, Somina was unable to further enhance its production capacity. Despite an inadequate production volume, Somina had to bear a huge amount of fixed costs, such as the depreciation on infrastructure and interest expenses, resulting in a significant loss. The Group engaged a professional valuer to form an updated fair value of the Somina project during the corresponding period last year. With reference to the fair value, an impairment loss of interest in an associate of approximately HK$15,000,000 was made during the corresponding period last year. During the Period, the Group assessed the latest fair value of Somina with reference to the net interest in an associate after accounted for the share of loss during the Period and determined that further impairment was not required during the Period. The Group will continue to assess the fair value of Somina closely to ensure the Group's account reflects the updated fair value of Somina.

During the Period, the Group did not record any interest expenses (six months ended 30th June, 2013: approximately HK$8,093,000). The interest expenses in the corresponding period last year were attributable to the CN 2010 which was redeemed during the corresponding period last year. After the redemption, the Group is currently free of any debt.

The tax charge of approximately HK$8,515,000 was provided for the trading profit during the Period (six months ended 30th June, 2013: approximately HK$13,864,000).

Comprehensive expenses for the Period

Summing up the combined effects of the foregoing, loss for the Period amounted to approximately HK$60,971,000 (six months ended 30th June, 2013: approximately HK$1,668,000). After taken into account of the gain of approximately HK$13,000 (six months ended 30th June, 2013: loss of approximately HK$116,000) of the exchange differences arising on translation of foreign currencies, the total comprehensive expense for the Period amounted to approximately HK$60,958,000 (six months ended 30th June, 2013: approximately HK$1,552,000).

Future strategy and outlook

The Group will continue to further study the market of uranium products, and assess the development of its uranium product trading business under the downturn of the market price of uranium products.

The operating strategy of Somina is to sell its uranium products as soon as possible in order to repay default bank loans. Shortage of funds and huge production costs are the main concern of the operations of Somina. It has to explore further financing channels for improving its cash flow, and to review its production plan in order to maintain its production process with the limited financial resources available. In addition, it has also to renegotiate with its bank to re-schedule its bank loan repayments to ensure its solvent position.

For the Mongolian project, the Group will continue its negotiation with the Mongolian Government to form a joint venture company for the full preparation of the uranium resources project in Mongolia, and strive for the revision and accreditation of environmental assessment reports for the application of the mining license.

Despite of the downturn of the uranium product market, it is now a good opportunity to invest in quality projects of uranium resources from another perspective. The Group will continue to identify suitable uranium resources and nuclear energy related projects. Leveraging on the advantages of the parent company in the field of nuclear energy, the Group will grasp the opportunity to actively expand the scale of the Group's business and source of income, and lay a solid foundation for the stable development in the future.

Human Resources Management

As at 30th June, 2014, the Group employed 15 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 outflow of approximately HK$34,278,000 during the Period, which was mainly due to the advance of a loan to an associate. The Group's financial position remained healthy and does not have any interest bearing borrowing. The gearing ratio, which is represented by the ratio of total debts to total assets, has dropped to 0.047 as at 30th June, 2014 (as at 31st December, 2013: 0.048).

The working capital of the Group was generally financed by bank and cash balance. As at 30th June, 2014, the Group's cash-on-hand and bank balances amounted to approximately HK$259,651,000 (as at 31st December, 2013: approximately HK$293,898,000) and the Group had no bank loan outstanding (as at 31st December, 2013: nil). The Group's net current assets and current liabilities are approximately HK$414,690,000 (as at 31st December, 2013: approximately HK$405,266,000) and approximately HK$43,420,000 (as at 31st December, 2013: approximately HK$47,599,000) respectively as at 30th June, 2014.

Total shareholders' funds decreased from approximately HK$946,971,000 as at 31st December, 2013 to approximately HK$886,013,000 as at 30th June, 2014, 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, 2013.

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, 2013: 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, 2013: nil).

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

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

Code on Corporate Governance Practices

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

Model Code for Securities Transactions by Directors

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

Audit Committee

An Audit Committee has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive directors namely, Mr. Cheong Ying Chew Henry, Mr. Cui 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. The Group's interim results for the Period have been reviewed by the Audit Committee and the independent auditor, Deloitte Touche Tohmatsu.

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 Ms. Wang Ying 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 Ms. Wang Ying 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 (http://www.hkexnews.hk). An interim report for the six months ended 30th June, 2014 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, 26th August, 2014

As at the date of this announcement, the board of directors of the Company comprises chairman and non-executive director, namely, Mr. Cai Xifu, executive director, namely, Ms. Wang Ying, non-executive director, namely, Mr. Xu Shouyi and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei.