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## CNNC INTERNATIONAL LIMITED 中核國際有限公司

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

**(Stock Code: 2302)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

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, 2015 (the “Period”), together with comparative figures for the corresponding period of 2014, as follows:

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

*For the six months ended 30th June, 2015*

		Six months ended 30th June,	
	<i>NOTES</i>	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Revenue	3	—	520,380
Cost of sales		—	(494,269)
Gross profit		—	26,111
Other income, gains and losses		4,063	2,018
Administrative expenses		(8,593)	(9,944)
Other expenses	4	(119,857)	—
Share of loss of an associate		(88,756)	(70,641)
Loss before taxation	5	(213,143)	(52,456)
Income tax expense	6	—	(8,515)
Loss for the period		(213,143)	(60,971)
<b>Other comprehensive (expense) income:</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation to presentation currency		(80)	13
<b>Total comprehensive expense for the period, attributable to owners of the Company</b>		<b>(213,223)</b>	<b>(60,958)</b>
Basic loss per share	8	<b>(HK43.57 cents)</b>	<b>(HK12.46 cents)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

	<i>NOTES</i>	<b>30th June, 2015</b>	31st December, 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,776</b>	23,002
Exploration and evaluation assets		<b>205,273</b>	203,469
Interest in an associate	9	—	135,715
Amount due from an associate	10	—	70,839
		<b>227,049</b>	433,025
<b>Current assets</b>			
Inventories		<b>85,314</b>	85,345
Other receivables and prepayments		<b>4,808</b>	103,546
Bank balances and cash		<b>295,336</b>	210,579
		<b>385,458</b>	399,470
<b>Current liabilities</b>			
Other payables and accruals		<b>13,809</b>	14,767
Amount due to immediate holding company		—	5,157
Amount due to intermediate holding company		<b>1,436</b>	1,756
Amount due to ultimate holding company		—	91
Amount due to fellow subsidiaries		<b>529</b>	768
Income tax payable		<b>19,360</b>	19,360
		<b>35,134</b>	41,899
<b>Net current assets</b>		<b>350,324</b>	357,571
<b>Net assets</b>		<b>577,373</b>	790,596
<b>Capital and reserves</b>			
Share capital		<b>4,892</b>	4,892
Reserves		<b>572,481</b>	785,704
<b>Equity attributable to owners of the Company</b>		<b>577,373</b>	790,596

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

## 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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Accounting Standards (“HKAS(s)”) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new amendments to HKAS and 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 HKASs and HKFRSs that have been issued but are not yet effective.

## 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 or services delivered or 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 properties. They represent two major lines of business engaged by the Group. The Group’s operating and reportable segments under HKFRS 8 are as follows:

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

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

	Six months ended 30th June, 2015		
	Trading of mineral property <i>HK\$'000</i> (unaudited)	Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	—	—	—
Segment loss	<u>(35,876)</u>	<u>(139,314)</u>	<u>(175,190)</u>
Unallocated other income and gains			3,108
Unallocated other expenses			(37,153)
Central administration costs			<u>(3,908)</u>
Loss before taxation			<u>(213,143)</u>
	Six months ended 30th June, 2014		
	Trading of mineral property <i>HK\$'000</i> (unaudited)	Exploration and trading of mineral properties <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	<u>520,380</u>	—	<u>520,380</u>
Segment profit (loss)	<u>25,685</u>	<u>(75,805)</u>	(50,120)
Unallocated other income and gains			1,778
Central administration costs			<u>(4,114)</u>
Loss before taxation			<u>(52,456)</u>

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of interest income, impairment loss of amount due from an associate and central administration costs.

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

	<b>30th June, 2015</b>	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
<b>ASSETS</b>		
Segment assets		
— Trading of mineral property	<b>85,314</b>	121,090
— Exploration and trading of mineral properties	<b>233,237</b>	367,928
	<b>318,551</b>	489,018
Unallocated assets	<b>293,956</b>	343,477
Consolidated assets	<b>612,507</b>	832,495
<b>LIABILITIES</b>		
Segment liabilities		
— Trading of mineral property	—	—
— Exploration and trading of mineral properties	<b>13,864</b>	13,488
	<b>13,864</b>	13,488
Unallocated liabilities	<b>21,270</b>	28,411
Consolidated liabilities	<b>35,134</b>	41,899

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, other receivables, amounts due from an associate and bank balances and cash which are directly attributable to the relevant reportable segment.
- Segment liabilities include other payables and accruals and amount due to intermediate holding company which are directly attributable to the relevant reportable segment.

#### 4. OTHER EXPENSES

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Impairment loss of interest in an associate ( <i>note 9</i> )	<b>46,959</b>	—
Impairment loss of amount due from an associate ( <i>note 10</i> )	<b>72,898</b>	—
	<b>119,857</b>	—



## 9. INTEREST IN AN ASSOCIATE

	<b>30th June, 2015</b>	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Cost of unlisted investment	<b>463,865</b>	463,865
Share of post-acquisition losses and other comprehensive income	<b>(416,906)</b>	(328,150)
Impairment loss	<b>(46,959)</b>	—
Interest in an associate	<u>—</u>	<u>135,715</u>

During the six months ended 30th June, 2015, the directors of the Company determined that there were impairment indicators on the interest in the associate due to the continued share of loss of the associate suffered over the years, continued unfavourable market conditions for the sale of uranium and suspension of production of the associate in 2015 due to its tight cash flow position, and the Group performed an impairment assessment on the interest in the associate. Based on the opinion of the directors of the Company, it is highly uncertain whether the associate will resume operation in the foreseeable future and the associate already run into net deficit position, a full impairment loss of HK\$46,959,000 was charged to the profit or loss during the current period.

Details of the Group's associate as at 30th June, 2015 and 31st December, 2014 are as follows:

Name of associate	Country of registration and operation	Paid-up registered capital	Attributable equity interest held by the Group	Principal activity
Société des Mines d'Azelik S.A. ("SOMINA")	Republic of Niger	African Financial Community Franc 500,000,000	37.2%	Mining of uranium

## 10. AMOUNT DUE FROM AN ASSOCIATE

	<b>30th June, 2015</b>	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Trade receivable ( <i>note</i> )	—	35,745
Loan advance ( <i>note</i> )	<b>72,898</b>	35,094
Less: impairment loss	<b>(72,898)</b>	70,839
	<u>—</u>	<u>70,839</u>

*Note:* On 2nd January, 2015, the Group entered into an agreement with SOMINA and agreed to extend the loan advance and the trade receivable with the total outstanding balance of US\$9,135,000 (equivalent to HK\$70,839,000) due from SOMINA to the Group to 31st December, 2016 and it is interest bearing at Hong Kong Dollar Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited plus 0.8% per annum, with a ceiling limit of 7.8% per annum.

At 30th June, 2015, in light of the deteriorating financial position of the associate as a result of the suspension of operation of the associate and no operating cash flow can be generated, the recoverability of the amount due from the associate is in doubt, and the carrying amount of amount due from the associate is fully impaired during the current period.

## MANAGEMENT DISCUSSION & ANALYSIS

### Market and Business Overview

The price of uranium products remained at a low level amid the market downturn of uranium products where it was difficult to achieve profitability in the trading of uranium products. To avoid gross losses or inventory provision as a result of the fall of market price of uranium products, the Group did not continue to carry out its uranium products trading business, which resulted in its inability of generating income from principal business and a relatively huge impact on the results of the Group during the six months ended 30th June, 2015 (the “Period”).

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. Due to the military coup in Niger in 2010, the favourable loan from the Niger government has still not been granted to Somina. Since the commencement of operation, there have been delays in the construction of projects, together with the fact that the selling price of uranium products has remained at a low level, the funding of Somina has been much adversely affected. The Group has also shared heavy losses incurred by Somina in the past few years. In February 2015, Somina reached a temporary redundancy agreement with the local workforce and has temporarily suspended the production of its uranium mine. Somina also has bank loans overdue and outstanding. During the Period, through analysis and estimate of the factors that may affect its different strategic plans, development paths and the ultimate impacts to formulate future goals, Somina conducted an in-depth study on the future plan, and worked with relevant shareholders and creditors for support and assistance to the plan. The Group made full provision for its investment equity of and loan receivables from Somina as the uncertainties on prospect remain.

During the Period, the Group had negotiations with the representatives of the Mongolian Government in relation to the promotion of the drafting of shareholder agreement, and completed and delivered amendments on the confidential agreement and shareholder agreement to the Mongolian Government, whose feedback has not been received up to the date. Moreover, our Mongolian project company continued to complement the supplemental information on the environmental impact report, which is still subject to approval of the Mongolian Government.

During the Period, the Group strengthened its research in the investment and development of global uranium mines. The Group also contacted with some mining companies with intention to explore the possibility of an in-depth cooperation.

### Operations

During the Period, the Group did not carry out uranium product trading business, which resulted in no income from principal business and gross profit recorded during the Period.

Other income, gains and losses of approximately HK\$4,063,000 (six months ended 30th June, 2014: approximately HK\$2,018,000) were mainly from interest income and the compensation from the litigation of a Mongolian subsidiary, representing an increase of approximately 101.3% as compared to the other income for the same period last year. Of the interest income, interest receivables of approximately HK\$2,054,000 (six months ended 30th June, 2014: approximately HK\$433,000) were attributable to the loan advance to Somina. The interest receivables and the loan advance to Somina were fully provided during the Period. During the Period, due to the decrease of staff level and security fee and disposal of vehicles of the Mongolian project together with the cost controls in the Hong Kong company, the administrative expenses of approximately HK\$8,593,000 (six months ended 30th June, 2014: approximately HK\$9,944,000) was approximately 13.6% lower to that of last year.



As the expenditure on the construction works exceeded the budget, the market price of uranium products remained at low level for a long time and the favorable loan had still not yet been granted, Somina faced the problem of funding shortage so it suspended production in February 2015. According to the financial position of Somina during the first half of 2015, the Group needs to share the loss of approximately HK\$88,756,000 (for the six months ended 30th June, 2014: approximately HK\$70,641,000).

If Somina resumes production, it would require a large amount of capital. Under such circumstances, Somina cannot predict the date of resuming production and, it would be very difficult for it to break-even in a short time and losses may continue to grow even if it resumes production. Therefore, during the Period, the balance of the Group's interest in Somina of approximately HK\$46,959,000 was in full provision as well as the loan and interest from the loan advance and trade receivable attributable to uranium trading business between the Group and Somina amounted to approximately HK\$72,898,000. After the interest in the associate was impaired to zero, the Group would not share any further loss of Somina.

During the Period, there was no tax charge arising from the trading profit (six months ended 30th June, 2014: approximately HK\$8,515,000).

### **Comprehensive expenses for the Period**

Summing up the combined effects of the foregoing, loss for the Period was approximately HK\$213,143,000 (six months ended 30th June, 2014: approximately HK\$60,971,000). After taking into account of the exchange expenses generated from the translation of presentation currency of approximately HK\$80,000 (six months ended 30th June, 2014: gain of approximately HK\$13,000), the total comprehensive expense for the Period was approximately HK\$213,223,000 (six months ended 30th June, 2014: approximately HK\$60,958,000).

### **Future Strategies and Prospects**

The Group noticed that existing trading business of uranium products and the investment projects in uranium resources are in stagnation. However, against the backdrop of China's vigorous development of nuclear power, the outlook of long-term demand for uranium products, the main fuel of nuclear power, is still optimistic. The Group will continue to focus on development and investment in uranium mines and step up efforts in research and negotiation and seek long-term partners leveraging the good opportunities of sluggish market and relatively low valuation of uranium mines to invest quality mines. The Group will make full use of the resources in the parent company and its position in nuclear power industry in China for continuous expansion of the Group's business scale and income. The Group will also wait for the favourable conditions to resume its uranium products trading business.

Somina will continue to study its next move. By balancing the interests of various parties and weighing up the pros and cons, Somina will make its decision that during the suspension period, it will strive to ensure the stability and safety of the project sites to keep resources intact.

For the Mongolian project, the Group will strive to seek the attention and support from the Mongolian government to the project and to advance the review progress of the environment impact report. The Group will also continue to negotiate on the formation of the joint venture company with the Mongolian government. With the tight control on costs for the preliminary works, the Group will make good preparation for project development.

In order to avoid market risks arising from the single business of uranium mine development, the Group will aim to gradually expand its business areas. With the support of the parent company, the Group will study the feasibility for introducing other quality assets and business projects of nuclear energy to improve the business operation and enhance the Group's profitability.

### **Human Resources Management**

As at 30th June, 2015, the Group employed 12 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\$84,782,000 during the Period, which was mainly due to the receipt of receivables. 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, was 0.057 as at 30th June, 2014 (as at 31st December, 2014: 0.050).

The working capital of the Group was generally financed by bank and cash balance. As at 30th June, 2015, the Group's cash-on-hand and bank balances amounted to approximately HK\$295,336,000 (as at 31st December, 2014: approximately HK\$210,579,000) and the Group had no bank loan outstanding (as at 31st December, 2014: nil). The Group's net current assets and current liabilities are approximately HK\$385,458,000 (as at 31st December, 2014: approximately HK\$399,470,000) and approximately HK\$35,134,000 (as at 31st December, 2014: approximately HK\$41,899,000) respectively as at 30th June, 2015.

Total shareholders' funds decreased from approximately HK\$790,596,000 as at 31st December, 2014 to approximately HK\$577,373,000 as at 30th June, 2015, 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, 2014.

## **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, 2014: 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, 2014: 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 Ligu 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 Ligu and Mr. Zhang Lei, one executive director namely Ms. Wang Ying and one non-executive director namely Mr. Xu Shouyi. Mr. Cui Ligu 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 Ligu and Mr. Zhang Lei, one executive director namely Ms. Wang Ying and one non-executive director namely Mr. Du Yunbin. Mr. Du Yunbin 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, 2015 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*  
**Du Yunbin**

Hong Kong, 28th August, 2015

*As at the date of this announcement, the board of directors of the Company comprises chairman and non-executive director, namely, Mr. Du Yunbin, 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 Ligu and Mr. Zhang Lei.*