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, 2022

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, 2022 (the "Year"), together with comparative figures for the corresponding year of 2021 (the "2021 Year"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31st December,	
		2022	2021
	NOTES	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	3	**905,730**	280,639
Cost of sales		**(802,938)**	(260,029)
Gross profit		**102,792**	20,610
Other income and gains and losses, net		**3,938**	3,240
Net exchange (losses) gains		**(2,339)**	892
Selling and distribution expenses		**(1,593)**	(639)
Administrative expenses		**(31,190)**	(26,255)
Share of result of an associate		**25,084**	15,065
Finance costs		**(8,602)**	(9,834)
Profit before tax	4	**88,090**	3,079
Income tax expenses	5	**(7,247)**	(2,457)
Profit for the year from continuing operations		**80,843**	622
Discontinued operation			
Profit for the year from discontinued operation	6	**—**	1,767
Profit for the year		**80,843**	2,389

	NOTES	For the year ended 31st December, 2022 HK$'000	2021 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,896)**	577
Share of exchange difference of an associate		**(18,994)**	22,622
Other comprehensive (expense) income for the year		**(23,890)**	23,199
Total comprehensive income for the year attributable to owners of the Company		**56,953**	25,588
Basic and diluted earnings per share	8		
— Continuing operations		**HK16.5 cents**	HK0.1 cents
— Discontinued operation		**HK — cents**	HK0.4 cents
		HK16.5 cents	HK0.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2022	2021
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**360**	345
Exploration and evaluation assets		**—**	—
Interests in associates		**438,257**	456,076
		438,617	456,421
Current assets			
Inventories		**76,233**	682
Other receivables and prepayments	9	**1,344**	14,714
Prepaid tax		**—**	229
Bank balances and cash		**130,732**	120,625
		208,309	136,250
Current liabilities			
Other payables and accruals	10	**27,765**	23,600
Amount due to immediate holding company		**519**	232
Amount due to an intermediate holding company		**1,905**	1,903
Amount due to ultimate holding company		**1,977**	1,977
Loan from immediate holding company		**36,000**	12,000
Income tax payable		**5,152**	304
		73,318	40,016
Net current assets		**134,991**	96,234

	As at 31st December,	
	2022	2021
	HK$'000	*HK$'000*
Total assets less current liabilities	**573,608**	552,655
Non-current liability		
Loan from immediate holding company	**182,000**	218,000
Net assets	**391,608**	334,655
Capital and reserves		
Share capital	**4,892**	4,892
Share premium and reserves	**386,716**	329,763
Equity attributable to owners of the Company	**391,608**	334,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has applied the following new/amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Adoption of new/amendments to HKFRSs

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts: Costs of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 9, Financial Instruments

The new/amendments to HKFRSs that are effective from 1st January, 2022 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 two operating divisions, which represent the segments of continuing operations of trading of mineral properties and exploration and selling of mineral properties. The Group had a discontinued operation of the supply chain of the Group for financial reporting purposes, which the Group had ceased all trading activities by the end of 2020, with the collection of the remaining trade receivables with interest from certain customers during the 2021 Year. 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, 2022

	Continuing operations			Discontinued operation	
Segments	**Trading of mineral properties** *HK$'000*	**Exploration and selling of mineral properties** *HK$'000*	**Subtotal** *HK$'000*	**Supply chain** *HK$'000*	**Total** *HK$'000*
Trading of — uranium	**891,506**	**—**	**891,506**	**—**	**891,506**
Commission income from uranium purchase transaction	**14,224**	**—**	**14,224**	**—**	**14,224**
	905,730	**—**	**905,730**	**—**	**905,730**

For the year ended 31st December, 2021

Segments	Continuing operations: Trading of mineral properties *HK$'000*	Continuing operations: Exploration and selling of mineral properties *HK$'000*	Continuing operations: Subtotal *HK$'000*	Discontinued operation: Supply chain *HK$'000*	Total *HK$'000*
Trading of					
— uranium	280,639	—	280,639	—	280,639

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, 2022

	Continuing operations: Trading of mineral properties ***HK$'000***	**Continuing operations: Exploration and selling of mineral properties** ***HK$'000***	**Continuing operations: Subtotal** ***HK$'000***	**Discontinued operation: Supply chain** ***HK$'000***	**Total** ***HK$'000***
Segment revenue	**905,730**	**—**	**905,730**	**—**	**905,730**
Segment profit (loss)	**93,946**	**(4,029)**	**89,917**	**—**	**89,917**
Bank interest income					**1,541**
Unallocated corporate income					**2,397**
Unallocated corporate costs					**(22,247)**
Share of result of an associate					**25,084**
Unallocated finance costs					**(8,602)**
Profit before tax					**88,090**
Less: Profit before tax from discontinued operation					**—**
Profit before tax from continuing operations					**88,090**

For the year ended 31st December, 2021

	Continuing operations			Discontinued operation	
	Trading of mineral properties	Exploration and selling of mineral properties	Subtotal	Supply chain	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	280,639	—	280,639	—	280,639
Segment profit (loss)	18,395	(3,947)	14,448	1,899	16,347
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					(9,834)
Profit before tax					4,978
Less: Profit before tax from discontinued operation					(1,899)
Profit before tax from continuing operations					3,079

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, 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,	
	2022	2021
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
— Trading of mineral properties	**134,687**	48,856
— Exploration and selling of mineral properties	**4,456**	4,466
	139,143	53,322
Interests in associates	**438,257**	456,076
Unallocated corporate assets	**69,526**	83,273
Consolidated assets	**646,926**	592,671
LIABILITIES		
Segment liabilities		
— Trading of mineral properties	**7,187**	1,236
— Exploration and selling of mineral properties	**19,721**	18,932
	26,908	20,168
Unallocated corporate liabilities	**228,410**	237,848
Consolidated liabilities	**255,318**	258,016

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

- Segment assets include property, plant and equipment, exploration and evaluation assets, inventories, other receivables and prepayments, bank balances and cash which are directly attributable to the relevant reportable segment.

- Segment liabilities include other payables and accruals, income tax payable 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,			
	2022		2021	
	HK$'000		*HK$'000*	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
Canada	**348,032**	**—**	180,539	—
The United Kingdom	**208,644**	**—**	—	—
PRC (including Hong Kong)	**206,736**	**—**	53,580	—
Czech Republic	**142,318**	**—**	—	—
Germany	**—**	**—**	46,520	—
	905,730	**—**	280,639	—

4. PROFIT BEFORE TAX

	For the year ended 31st December, 2022 HK$'000	2021 HK$'000
Continuing operations		
Profit before tax has been arrived at after charging:		
Directors' emoluments	**2,049**	1,500
Other staff costs	**15,534**	13,290
Retirement benefit schemes contributions	**1,108**	1,470
Total staff costs	**18,691**	16,260
Depreciation of property, plant and equipment	**169**	95
Depreciation of right-of-use asset	**—**	111
Total depreciation	**169**	206
Auditor's remuneration		
— Current year	**1,600**	1,650
Cost of inventories recognised as an expense	**802,938**	260,029
Expense relating to short-term leases	**1,370**	680
Net exchange losses	**2,339**	—
and after (crediting):		
Interest income from banks	**(1,541)**	(825)
Net exchange gains	**—**	(892)

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,	
	2022	2021
	HK$'000	*HK$'000*
Continuing operations:		
The charge (credit) comprises:		
Current tax — Hong Kong profits tax		
Charge for the year	**4,624**	965
Over provision in prior years	**—**	(10)
Current tax — PRC EIT		
Charge for the year	**232**	—
Under provision in prior years	**—**	2
Withholding tax on dividend received from an associate	**2,391**	1,500
	7,247	2,457

6. DISCONTINUED OPERATION

In the 2021 Year, the Company suspended its supply chain business. With the last sale transaction entered into late 2020 and discontinued after the collection of the remaining trade receivables with interest in first half of the 2021 Year.

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

Result of discontinued operation

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December 2021 *HK$'000*
Other income and gains and losses, net	1,899
Income tax expense	(132)
Profit for the year from discontinued operation	1,767

Consolidated Statement of Cash Flows

	Year ended 31 December 2021 *HK$'000*
Net cash inflow from operating activities	798
Net cash inflow from investing activities	1,101
Net cash inflow	1,899

Profit before tax has been arrived at after crediting:

	Year ended 31 December 2021 *HK$'000*
Interest income from overdue trade receivables	(1,101)

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, 2022 (2021 Year: Nil).

8. EARNINGS PER SHARE

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

	For the year ended 31st December, 2022 *HK$'000*	2021 *HK$'000*
Profit for the year attributable to owners of the Company		
— Continuing operations	**80,843**	622
— Discontinued operation	**—**	1,767
	80,843	2,389

	For the year ended 31st December, 2022 *Shares*	2021 *Shares*
Number of ordinary shares for the purposes of calculation of earnings per share	**489,168,308**	489,168,308

	For the year ended 31st December, 2022 *HK cents*	2021 *HK cents*
Earnings per share		
— Continuing operations	**16.5**	0.1
— Discontinued operation	**—**	0.4
	16.5	0.5

Diluted earnings per share for the years ended 31st December, 2022 and 2021 were the same as basic earnings per share as there were no potential ordinary shares in issue during the respective years.

9. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31st December, 2022 HK$'000	2021 HK$'000
Other receivables	**79**	73
Deposits paid	**34**	34
Prepayments	**1,231**	1,102
Amount due from an associate *(Note i)*	**—**	13,505
	1,344	14,714

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

The Group normally grants to its customers credit periods ranging from 5 to 120 days after delivery dates.

10. OTHER PAYABLES AND ACCRUALS

	As at 31st December, 2022 HK$'000	2021 HK$'000
Interests payables	**2,529**	1,047
Other payables	**961**	937
Other payable to the joint operator of the joint operation *(Note i)*	**17,816**	16,411
Accruals	**6,459**	5,205
	27,765	23,600

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

The average credit period on purchase of goods was ranging from 5 to 120 days after delivery date. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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, has issued a qualified opinion on the Group's consolidated financial statements for the year ended 31st December, 2022, 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, 2022 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 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 in 2018. 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 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 of the Group noted that certain samples of the uncollected goods might have quality issues. Further to the communication with one of the Two Customers, management of the Group suspected that the intermediate supplier and intermediate customer in one transaction chain might be controlled by the same parties. The management of the Group resolved and subsequently identified and engaged a recognised independent electronic component testing institution to carry out testing of those inventories received 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 31st December, 2020.

During the year ended 31st December, 2021, as described in the Note 11 to the consolidated financial statements, 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. Because of this, the results of the supply chain business were presented as the discontinued operation and the Group had recognised a profit for the year from the discontinued operation of HK$1,767,000 during the year ended 31st December, 2021.

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 under essentially 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 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 were 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 did not receive 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 disclaimed our opinion on the Group's consolidated financial statements for the year ended 31st December, 2020 as we were unable to perform sufficiently appropriate 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.

However, since the abovementioned limitation of scope remained unresolved during the audit for the consolidated financial statements for the year ended 31st December, 2021, we were unable to determine whether the respective profit and loss from the discontinued operation of HK$1,767,000 during the year ended 31st December, 2021 and HK$36,506,000 during the year ended 31st December, 2020, respectively and the related disclosures related to the discontinued operation were fairly stated. Therefore, we qualified our opinion on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31st December 2021. Any adjustments to the respective profit and loss from the discontinued operation for the years ended 31st December, 2021 and 2020, and the related disclosures relating to the discontinued operation found necessary might have consequential impact on the financial position as at 1st January, 2020 and 31st December, 2020, the financial performance for the years ended 31st December, 2021 and 2020 and the related disclosures relating to the discontinued operation in these financial statements.

Our opinion on the consolidated financial statements for the year ended 31st December, 2022 is also qualified because of the possible effects of the abovementioned matter on the comparability of the current year's figure and the corresponding figure for the year ended 31st December, 2021 in the consolidated statements of profit or loss and other comprehensive income for the year ended 31st December, 2022 and the related disclosures relating to the discontinued operation in these financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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" ("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."

For the views of the audit committee of the Company and the Board on the qualified opinion on the consolidated financial statements for the year ended 31st December, 2022, please refer to the paragraph headed "Views of the Audit Committee and the Board on the Auditor's Opinion" of the final results announcement of the Company for the year ended 31st December, 2021 dated 9th September, 2022.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the Year (2021 Year: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Overview

Results

For the Year, the Group has recorded a significant increase in revenue of approximately 223% to approximately HK$905,730,000 (2021 Year: approximately HK$280,639,000), while gross profit has increased by 399% to approximately HK$102,792,000 (2021 Year: approximately HK$20,610,000) as compared to the 2021 Year. Please refer to the section "Operations Review" below for detailed explanations of the significant increase.

Market and Business Overview

During the Year, the global natural uranium market has experienced multiple geopolitical events and the spot market has been continuously impacted by the growing uncertainty of the Russian Ukraine conflict, global inflation and recessionary concerns, and the emergence of investors' interest in natural uranium. The spot market has ushered in the "bull market" during the Year and the spot price of natural uranium had soared to its historically high level at over US$63/lb U_3O_8 since the Fukushima accident. Subsequently, the spot price of natural uranium fluctuated between US$45/lb U_3O_8 and US$55/lb U_3O_8 in the second half of the Year, and settled at approximately US$48/lb U_3O_8 at the end of the Year. The uranium term market has remained steady, with the long-term uranium contracting price of natural uranium hovered around US$40/lb U_3O_8 at the beginning of the Year, and gradually rose to US$51/lb U_3O_8 at the end of the Year.

During the Year, the Group has continued its business of trading of uranium products in its normal and usual course of business. The Company has been focusing and developing its 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 has benefited from both the improved market performance of the natural uranium market in general and the upward trend of uranium market price during the Year as mentioned above. For the Year, the Group generated revenue from trading of uranium of approximately HK$891,506,000, corresponding to sales of approximately 2.53 million pounds of natural uranium (of which approximately 2.00 million pounds were sold under trades with independent third parties and approximately 0.53 million pounds were sold to the parent group under the continuing connected transactions framework agreement which took effect from June 2022). For the Year, the Group also facilitated trades of 1.80 million pounds of natural uranium for Rössing under the continuing connected transactions framework agreement, which brought in commission income of approximately HK$14,224,000 for the Group in the four-month period after the approval of the continuing connected transactions framework agreement.

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.

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.

Operations Review

During the Year, the Group had "Revenue" and "Cost of Sales" from the continuing operations of the trading of natural uranium of approximately HK$905,730,000 (2021 Year: approximately HK$280,639,000) and HK$802,938,000 (2021 Year: approximately HK$260,029,000) respectively, an increase of approximately 223% for "Revenue" and 209% for "Cost of Sales", which resulted in "Gross Profit" of approximately HK$102,792,000 (2021 Year: approximately HK$20,610,000) as compared to the 2021 Year. The significant increase in revenue was primarily attributable to the trading of uranium of approximately HK$891,506,000, corresponding to sales of approximately 2.53 million pounds of natural uranium (of which approximately 2.00 million pounds were sold under trades with independent third parties and approximately 0.53 million pounds were sold to the parent group), and facilitating the trades of 1.80 million pounds of natural uranium for Rössing which brought in commission income of approximately HK$14,224,000 for the Group. The increased trading volume was attributable to, among other factors, the improved market performance of the uranium market in general, the upward trend of uranium market price during the Year as well as the Group's efforts in developing its uranium trading business, including the execution of uranium trading transactions with China National Uranium Corporation, Limited (中國鈾業有限公司) ("CNUC") under the framework agreement dated 23rd February 2022 (as supplemented, modified or otherwise amended from time to time), which constituted continuing connected transactions of the Company. The uranium market has been notably improved during the Year, which contributed to the significant increase in the overall gross profit for the Year as the Group concluded considerably sizeable uranium transactions in the Year.

The Group has substantially improved its profit position and reported a net profit for the Year of approximately HK$80,843,000 (2021 Year: approximately HK$2,389,000) as compared to the 2021 Year, mainly driven by, among other things: (i) a gross profit of approximately HK$102,792,000 (2021 Year: approximately HK$20,610,000) from the continuing operations of the trading of natural uranium; (ii) a share of profit from an associate of approximately HK$25,084,000 in the Year (2021 Year: approximately HK$15,065,000); and (iii) a reduction in finance costs to approximately HK$8,602,000 in the Year (2021 Year: approximately HK$9,834,000).

"Other income and gains and losses, net", of approximately HK$3,938,000 (2021 Year: approximately HK$3,240,000), was mainly due to the increase of bank interest income for the Year.

"Net exchange (losses) gains" of losses of approximately HK$2,339,000 were recorded during the Year (2021 Year: gains of approximately HK$892,000) which were mainly attributable to the differences resulting from the depreciation in Renminbi against Hong Kong dollars on the carrying amount of assets denominated in Renminbi.

"Selling and distribution expenses" has increased by approximately 149% to approximately HK$1,593,000 (2021 Year: approximately HK$639,000) due to higher overall uranium trading activities in the Year as compared to the 2021 Year.

"Administrative expenses" amounted to approximately HK$31,190,000 (2021 Year: approximately HK$26,255,000), which has increased by approximately 19%, as the Group had incurred additional professional fees during the Year for concluding the independent review on the causes of the loss on inventory write-down in relation to the discontinued supply chain business for the year of 2020, combined with the increase of total staff costs during the Year as compared to the 2021 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$25,084,000 (2021 Year: approximately HK$15,065,000), an increase of approximately 67%, as the financial results of the associate have shown significant improvement since the merger.

During the Year, the Group incurred "Finance costs" of approximately HK$8,602,000 (2021: approximately HK$9,834,000) mainly arising from interests incurred on "Loan from immediate holding company" utilized in the investment in an associate, a moderate reduction of approximately 13% due to a decrease in interest expenses charged to the Group.

During the Year, "Income tax expense" of approximately HK$7,247,000 was provided (2021 Year: approximately HK$2,457,000). The increase was primarily attributable to the increase in taxable profit and the PRC withholding tax 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$80,843,000 (2021 Year: approximately HK$2,389,000). After having taken into account of the other comprehensive expense of approximately HK$23,890,000 (2021 Year: income of approximately HK$23,199,000) 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$56,953,000 (2021 Year: approximately HK$25,588,000).

FUTURE STRATEGIES

As set out in the sub-section headed "Market and Business Overview" above, The Group focuses on and will continue to devote its available resources to the development of the uranium products trading business, and to actively seek high-quality uranium resources projects, with intended focus on in-production 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 announcements of the Company dated 23rd February, 2022, 26th May, 2022 and 23rd June, 2022, and circular of the Company dated 31st May, 2022, the Company (for itself and on behalf of each of its subsidiaries) and 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. 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.

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 would facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC and worldwide market, which in turn would enhance the Group's profitability in the long run. The continuing connected transactions contemplated under the FA would be expected to occur on a regular and continuing basis and in the ordinary and usual course of business of the Group.

Being a member of CNUC Group and having considered the competitive edges of the Group, the Group would be considered to be in a better strategic position to be designated as the procurement arm of CNUC Group in the international uranium market. To further enlarge its business scale of the Group, the Group will continue to actively participate in international market bidding, increase its market exposure, and explore various financing channels to complement the expansion of uranium trade. During the Year, the Group has been actively exploring trading opportunities with new business partner(s) with the aim of further expanding our collaborating business partner base and continuously growing our uranium trading business.

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, 2022, the Group employed 23 (2021 Year: 22) full-time employees of whom 5 (2021 Year: 5) were based in Hong Kong, 14 (2021 Year: 13) were based in the PRC and 4 (2021 Year: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK$18,691,000 (2021 Year: approximately HK$16,260,000).

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 inflow of approximately HK$14,980,000 (2021 Year: net cash outflow of approximately HK$23,847,000) during the Year, which was mainly due to the receipt of cash dividend from an associate and the income earned from operating activities. The working capital of the Group was generally financed by bank balance and cash. The Group's cash on hand and bank balances increased from approximately HK$120,625,000 as at 31st December, 2021 to approximately HK$130,732,000 as at 31st December, 2022. The Group's financial position remained healthy in the Year.

As at 31st December, 2022, the Group had net current assets amounting to approximately HK$134,991,000 (as at 31st December, 2021: approximately HK$96,234,000) and current liabilities amounting to approximately HK$73,318,000 (as at 31st December, 2021: approximately HK$40,016,000). As at 31st December, 2022, the Group had no trade receivable (as at 31st December, 2021: Nil) and no trade payable (at 31st December, 2021: Nil). Capital expenditures on property, plant and equipment were approximated HK$224,000 during the Year (2021 Year: approximately HK$281,000).

Total shareholders' funds increased from approximately HK$334,655,000 as at 31st December, 2021 to approximately HK$391,608,000 as at 31st December, 2022, mainly due to the total comprehensive income during the Year. The gearing ratio, in terms of total debts to total assets, decreased to 0.40 (as at 31st December, 2021: 0.44) as at 31st December, 2022 due to a partial repayment in amount due to an immediate holding company 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. 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.

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 such, the Trade Loan is 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 mainly operates in Hong Kong, Mainland China, and Mongolia. The Group's income, expenditure for operation, investment, and borrowings are mainly denominated in Hong Kong dollar, Renminbi, United States dollar, and Mongolian Tugrik. The Group does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and consider hedging significant currency exposure should the need arise.

Capital Structure

There has been no significant change in the capital structure of the Group since 31st December, 2021.

Charge on Assets

The 37.2% of the share capital in Somina held by a wholly owned subsidiary of the Company, Ideal Mining Limited, was pledged to a bank for banking facilities granted to Somina.

Apart from the above, there was no other charge on the Group's assets during the Year and the 2021 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 securities.

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, 2022 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 30th March, 2023. 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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Corporate Governance Code (the "CG Code") as set out in Part 2 of 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 throughout the Year.

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 Liguo 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 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 Liguo, 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 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. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi, one Executive Director, namely, Mr. Zhang Yi and one Non-executive Director, namely, Mr. Wang Cheng. Mr. Wang Cheng 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, 2022 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.

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
Wang Cheng
Chairman

Hong Kong, 30th March, 2023

As at the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Wang Cheng, 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.