中核集团
CNNC

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, 2023

The Board (the "Board") of Directors (the "Director(s)") 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, 2023 (the "Period"), together with comparative figures for the corresponding period of 2022 (the "2022 Period"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30th June, 2023

	NOTES	Six months ended 30th June, 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Revenue	3	**76,144**	573,831
Cost of sales		**(75,471)**	(556,207)
Gross profit		**673**	17,624
Other income and gains, net		**2,738**	1,306
Net exchange gains		**1,239**	624
Selling and distribution expenses		**(751)**	(544)
Administrative expenses		**(10,301)**	(12,883)
Share of result of an associate		**21,161**	19,346
Finance costs		**(6,429)**	(2,871)
Profit before taxation	5	**8,330**	22,602
Income tax expenses	4	**—**	(4,523)
Profit for the period attributable to owners of the Company		**8,330**	18,079
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(2,390)**	(3,527)
Item that maybe reclassified subsequently to profit or loss:			
Share of exchange differences of an associate		**(18,625)**	(4,722)
Other comprehensive expense for the period		**(21,015)**	(8,249)
Total comprehensive (expense) income for the period, attributable to owners of the Company		**(12,685)**	9,830
Basic and diluted earnings per share	7	**HK1.70 cents**	HK3.70 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2023

	NOTES	30th June, 2023 HK$'000 (unaudited)	31st December, 2022 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**379**	360
Exploration and evaluation assets		**—**	—
Interests in associates		**440,793**	438,257
		441,172	438,617
Current assets			
Inventories		**120,593**	76,233
Other receivables and prepayments	8	**3,038**	1,344
Cash and cash equivalents		**74,362**	130,732
		197,993	208,309
Current liabilities			
Other payables and accruals	9	**31,753**	27,765
Amount due to immediate holding company		**666**	519
Amount due to an intermediate holding company		**1,911**	1,905
Amount due to ultimate holding company		**1,977**	1,977
Loan from immediate holding company		**36,000**	36,000
Income tax payable		**5,935**	5,152
		78,242	73,318
Net current assets		**119,751**	134,991
Total assets less current liabilities		**560,923**	573,608

	NOTES	30th June, 2023 HK$'000 (unaudited)	31st December, 2022 HK$'000 (audited)
Non-current liability			
Loan from immediate holding company		**182,000**	182,000
Net assets		**378,923**	391,608
Capital and reserves			
Share capital		**4,892**	4,892
Share premium and reserves		**374,031**	386,716
Equity attributable to owners of the Company		**378,923**	391,608

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 (the "Listing Rules").

These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31st December, 2022 (the "2022 Annual Report"). These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2022 Annual Report.

The functional currency of the Company is United States dollars ("US$"). The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") 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 condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's Audit Committee.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2022.

Application of new and amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2023 for the preparation of the Group's condensed consolidated interim financial statements:

HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The new and amendments that are effective from 1st January, 2023 did not have any significant impact on the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's executive director, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance, focuses on the 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 selling of mineral properties. They represent two major lines of operating 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 selling of mineral properties — exploration and selling of uranium

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

	Six months ended 30th June, 2023		
	Trading of mineral property *HK$'000* (unaudited)	**Exploration and selling of mineral properties** *HK$'000* (unaudited)	**Consolidated** *HK$'000* (unaudited)
Segment revenue	**76,144**	**—**	**76,144**
Segment loss	**(2,203)**	**(2,908)**	**(5,111)**
Bank interest income			**944**
Unallocated corporate income			**1,798**
Unallocated corporate costs			**(4,033)**
Share of result of an associate			**21,161**
Unallocated finance costs			**(6,429)**
Profit before taxation			**8,330**

	Six months ended 30th June, 2022		
	Trading of mineral property *HK$'000* (unaudited)	Exploration and selling of mineral properties *HK$'000* (unaudited)	Consolidated *HK$'000* (unaudited)
Segment revenue	573,831	—	573,831
Segment profit (loss)	15,354	(2,343)	13,011
Bank interest income			349
Unallocated corporate income			1,581
Unallocated corporate costs			(8,814)
Share of result of an associate			19,346
Unallocated finance costs			(2,871)
Profit before taxation			22,602

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or 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.

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

	30th June, 2023	31st December, 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
ASSETS		
Segment assets		
— Trading of mineral property	**133,380**	134,687
— Exploration and selling of mineral properties	**6,937**	4,456
	140,317	139,143
Interests in associates	**440,793**	438,257
Unallocated corporate assets	**58,055**	69,526
Consolidated assets	**639,165**	646,926
LIABILITIES		
Segment liabilities		
— Trading of mineral property	**6,784**	7,187
— Exploration and selling of mineral properties	**22,136**	19,721
	28,920	26,908
Unallocated corporate liabilities	**231,322**	228,410
Consolidated liabilities	**260,242**	255,318

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, and cash and cash equivalents which are directly attributable to the relevant reportable segment.

- Segment liabilities include other payables and accruals, amount due to an intermediate holding company, and income tax payable which are directly attributable to the relevant reportable segment.

4. 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 that are 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 a PRC associate.

	Six months ended 30th June,	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The income tax expenses comprises:		
Hong Kong profits tax	—	1,934
PRC withholding tax	—	2,589
	—	4,523

5. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the Period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**60**	72
Expenses relating to short-term leases	**285**	368
Net exchange gains	**(1,239)**	(624)
Interest income	**(944)**	(349)

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 AND DILUTED EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the Period attributable to owners of the Company	**8,330**	18,079

	Six months ended 30th June,	
	2023	2022
Number of ordinary shares for the purpose of basic earnings per share	**489,168,308**	489,168,308

There were no potential dilutive ordinary shares outstanding during six months ended 30th June, 2023 and 2022, and hence diluted earnings per share is the same as basic earnings per share.

8. OTHER RECEIVABLES AND PREPAYMENTS

	30th June, 2023	31st December, 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Other receivables	**127**	79
Deposits paid	**1,629**	34
Prepayments	**1,282**	1,231
	3,038	1,344

9. OTHER PAYABLES AND ACCRUALS

	30th June, 2023	31st December, 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Interest payables	**8,958**	2,529
Other payables	**678**	961
Other payable to the joint operator of the joint operation *(Note)*	**20,225**	17,816
Accruals	**1,892**	6,459
	31,753	27,765

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

10. EVENTS AFTER THE REPORTING PERIOD

On 30th August, 2023, CNNC Financial Leasing Limited ("CNNC Leasing"), an associate of the Company, passed a shareholders' resolution approving the capital injection from three existing shareholders of CNNC Leasing. The Group did not opt to take part in the capital injection. After the capital injection, the Company's interests in CNNC Leasing will be reduced from approximately 11.36% to approximately 7.55%. The directors of the Company are in the process of making an assessment of what the impact of the capital injection is expected to be for the year ending 31st December, 2023.

Except above, the Group did not have any material subsequent event need to be disclosed or adjusted.

MANAGEMENT DISCUSSION & ANALYSIS

Results

For the Period, the Group has recorded a decrease in revenue and gross profit of approximately 87% and 96% respectively, to approximately HK$76,144,000 (2022 Period: approximately HK$573,831,000) and HK$673,000 (2022 Period: approximately HK$17,624,000) respectively. The decrease in revenue and gross profit was attributed by a drop in the sales of uranium products under trades with independent third parties, which was primarily due to the increase in interest rates in 2023, where as a result, the cost of international trade funds had increased significantly. In this economic climate, traders of uranium products preferred to hold onto their currency, and the minimal price fluctuations in the international natural uranium market made trading unappealing. The disinclination further exacerbated the reduction of offshore trading business opportunities for both buyers and sellers in the natural uranium market amidst the high borrowing costs. Another contributing factor would be that the delivery plan of the Rössing Uranium Mine (has the meaning ascribed to it in the circular of the Company dated 31st May, 2022 (the "Circular")) is largely scheduled in the second half of 2023, similar to its delivery schedule in 2022.

Nonetheless, the Group completed sales of approximately 0.2 million pounds (2022 Period: approximately 1.6 million pounds) of natural uranium products for the Period. There was also an increase of share of result of an associate to approximately HK$21,161,000 (2022 Period: approximately HK$19,346,000), and an increase in finance cost to approximately HK$6,429,000 (2022 Period: approximately HK$2,871,000) due to an increase in market interest rates in general. As a result of the foregoing, a net profit of approximately HK$8,330,000 (2022 Period: approximately HK$18,079,000) was recorded for the Period.

Market and Business Overview

The interest rate hikes during the Period has increased the cost of international trade funds significantly, and many capital intensive sectors have been impacted. In this economic climate, traders of uranium products preferred to hold onto their currency, and the minimal price fluctuations in the international natural uranium market made trading unappealing. With the flow of the natural uranium spot market being greatly slowed down by financial investors, the investment in natural uranium by financial investment institutions was reduced significantly as compared to the 2022 Period. The disinclination further exacerbated the reduction of offshore trading business opportunities for both buyers and sellers in the natural uranium market amidst the high borrowing costs. During the Period, the spot price of natural uranium fluctuated between US$48/lb U_3O_8 and US$57.75/lb of U_3O_8, and settled at approximately US$56/lb U_3O_8 at the end of the Period. During the Period, the long-term natural uranium contracting price increased from US$51/lb U_3O_8 to approximately US$56/lb U_3O_8 at the end of the Period.

During the Period, the Group has continued its business of trading uranium products in its normal and usual course of business. The Group has been focusing on and developing its uranium products trading business, and actively seeking high-quality uranium resources projects to complement the development of its parent group. The Group generated revenue from trading of uranium of approximately HK$76,144,000 (2022 Period: approximately HK$573,831,000), corresponding to sales of approximately 0.2 million pounds (2022 Period: approximately 1.6 million pounds) of natural uranium products.

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 (the "Committee") including, amongst others, representatives from the Mineral Resources and Petroleum Authority of Mongolia (the "MRPAM", the respondent of the lawsuit) was set up with a view to help resolve the disputes regarding the expiry of the exploration licenses of the Group. The management believes it is a positive sign of the MRPAM's intention towards resolving the disputes, though at this stage, there is no guarantee that the matter shall be resolved in favour of the Group.

The Company is closely monitoring the progress of the lawsuit and the work of the Committee and will make further announcement(s) as and when appropriate.

Operations Review

During the Period, the Group recorded a "Revenue" and "Cost of sales" of approximately HK$76,144,000 (2022 Period: approximately HK$573,831,000) and approximately HK$75,471,000 (2022 Period: approximately HK$556,207,000) respectively, representing a significant decrease of approximately 87% for "Revenue" and 86% for "Cost of sales", which resulted in "Gross profit" of approximately HK$673,000 (2022 Period: approximately HK$17,624,000), a significant decrease of approximately 96% over the Period. As per the explanation above, the significant decline during the Period was primarily attributable to the considerably fewer natural uranium business trading opportunities when the investment in natural uranium by financial investment institutions was reduced significantly. Another contributing factor would be that the delivery plan of the Rössing Uranium Mine (has the meaning ascribed to it in the Circular) is largely scheduled in the second half of 2023, similar to its delivery schedule in 2022.

During the Period, "Other income and gains" of approximately HK$2,738,000 (2022 Period: approximately HK$1,306,000) were mainly from interest income of approximately HK$944,000 (2022 Period: approximately HK$349,000), representing an increase of approximately 110% as compared to the corresponding 2022 Period.

"Net exchange gains" of approximately HK$1,239,000 (2022 Period: approximately HK$624,000) were mainly attributable to the differences resulting from the appreciation in United States dollars against Hong Kong dollars on the carrying amount of assets denominated in United States dollars.

"Selling and distributing expenses" amounted to approximately HK$751,000 (2022 Period: approximately HK$544,000), which has increased by approximately 38% due to an increase in storage expenses for natural uranium products during the Period as compared to the corresponding 2022 Period.

"Administrative expenses" amounted to approximately HK$10,301,000 (2022 Period: approximately HK$12,883,000), which has decreased by approximately 20% during the Period. As the extended scope of work for the independent review, internal control review, and background investigation into the causes of the impairment loss of inventory for the financial year ended 31st December, 2020 had been concluded, the Group has incurred less professional fees as compared to the 2022 Period. For further details and findings of such investigative works, please refer to the announcement of the Company dated 15th August, 2022 for further details.

Following the merger of our associate, CNNC Leasing, with another financial leasing company within our parent group in December 2020, our interest in the associate reduced to approximately 11.36% (of the enlarged capital). The Group recorded "share of result of an associate" of approximately HK$21,161,000 (2022 Period: approximately HK$19,346,000), an increase of approximately 9%, as the financial results of the associate have continuously improved after the merger.

During the Period, the Group incurred "Finance costs" of approximately HK$6,429,000 (2022 Period: approximately HK$2,871,000) due to loan interests incurred for the investment in an associate. The increase of finance costs by approximately 124% during the Period as compared to the corresponding 2022 Period was due to an increase in market interest rates in general.

During the Period, no "Income tax expense" was provided (2022 Period: approximately HK$4,523,000). The decrease was due to the absence of PRC withholding tax (2022 Period: approximately HK$2,589,000) and the nil assessable profits provision for Hong Kong profits tax (2022 Period: approximately HK$1,934,000).

Total comprehensive income for the Period

Summing up the combined effects of the foregoing, profit for the Period was approximately HK$8,330,000 (2022 Period: approximately HK$18,079,000). After taking into account the other comprehensive expense of approximately HK$21,015,000 (2022 Period: expense of approximately HK$8,249,000) relating to exchange differences arising from translation to presentation currency and the share of exchange difference of an associate, the total comprehensive expense for the Period was approximately HK$12,685,000 (2022 Period: income of approximately HK$9,830,000).

Future Strategies and Prospects

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 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 announcement 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 China National Uranium Corporation, Limited ((中國鈾業股份有限公司 or formerly 中國鈾業有限公司) ("CNUC"), an indirect holding company of the Company, (for itself and on behalf of each of its subsidiaries other than the Group ("CNUC Group")) entered into a continuing connected transactions framework agreement ("FA"), pursuant to which the Group agreed to i) act as the prioritised supplier of CNUC Group for its short term demand for natural uranium products and the regional sole supplier of CNUC Group for its medium-to-long-term demand for natural uranium products; and ii) act as the exclusive authorised distributor for the sale and distribution of uranium products produced by the Rössing uranium mine (being indirectly owned by CNUC as to approximately 68.62%), for on-sale to third party customers in all countries and regions around the world except the PRC. 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 are 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, 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. 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 out uranium trading business.

As of the date of this announcement, the Company has contracted but not yet completed the trades of approximately 0.8 million pounds of natural uranium products for the Rössing uranium mine under the Uranium Purchase Transaction (has the meaning ascribed to it in the Circular) which the Company would expect to bring in approximately 2% of commission income upon completing the trades in the second half of 2023, and it is expected that further transactions under the FA will be concluded in the second half of 2023.

The associate of the Group (Société des Mines d'Azelik S.A. ("Somina")) is still facing severe cash flow problems and will not be able to resume production within a short period of time. The Group will closely monitor the situation and continue to work with the other shareholders of Somina for its future plans.

In relation to the Group's Mongolian Mining Project, the Group will continue to be engaged in the discussion with the Mongolian Authority to resolve the expiry issue of the exploration licenses of the Group's investment in its uranium resources project in Mongolia. The project has not been, to a material extent, adversely affected by its slow progress.

In the long run, the Group also aims to expand and diversify its business by leveraging on the strengths of CNUC Group, 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, and the overall global uranium market supply and demand dynamics.

The Company will inform shareholders of the Company on any major development of the business of the Group in a timely manner and in accordance with the requirements of the Listing Rules.

Human Resources Management

As at 30th June, 2023, the Group employed 23 (30th June, 2022: 26) full-time employees of whom 5 (30th June, 2022: 5) were based in Hong Kong, 14 (30th June, 2022: 17) were based in PRC and 4 (30th June, 2022: 4) were based in Mongolia. 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$53,993,000 (2022 Period: approximately HK$21,005,000) during the Period, which was mainly due to the cash used in the purchase of uranium products during the Period. The Group's financial position remained healthy.

The working capital of the Group was generally financed by bank balances and cash. The Group's cash and cash equivalents decreased from approximately HK$130,732,000 as at 31st December, 2022 to approximately HK$74,362,000 as at 30th June, 2023.

As at 30th June, 2023, the non-current assets of the Group amounted to approximately HK441,172,000, representing an increase of approximately 1% as compared with approximately HK$438,617,000 as at 31st December, 2022, which was mainly due to share of result of an associate during the Period, leading to the increase in interests in associates.

As at 30th June, 2023, the current assets of the Group amounted to approximately HK$197,993,000, representing a decrease of approximately 5% as compared with approximately HK$208,309,000 as at 31st December, 2022, mainly due to the decrease in cash and cash equivalents as a result of the proceeds of inventories purchased and daily operation expenses etc.

As at 30th June, 2023, the current liabilities of the Group amounted to approximately HK$78,242,000, representing an increase of approximately 7% as compared with approximately HK$73,318,000 as at 31st December, 2022, mainly due to the continuous interest rate hikes during the Period, leading to the increase in interest accrued of loan from immediate holding company by the Company.

Total shareholders' funds decreased from approximately HK$391,608,000 as at 31st December, 2022 to approximately HK$378,923,000 as at 30th June, 2023, mainly due to the total comprehensive expense during the Period. The gearing ratio, in terms of total debts to total assets, increase to approximately 0.41 as at 30th June, 2023 (at 31st December, 2022: approximately 0.40).

Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the Period.

Exposure to Foreign Exchange Risk

The Group's income, cost of sales, administrative expenses, finance costs, investment and loan from immediate holding company are mainly denominated in USD, HKD, Mongolian Tugrik and RMB. Fluctuations of the exchange rates of Mongolian Tugrik and RMB could affect the operating costs of the Group. Currencies other than Mongolian Tugrik and RMB were relatively stable during the Period. The Group currently does not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will take prudence measure to minimise 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, 2022.

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 charge on the Group's assets during the Period and 2022 Period.

Material Events after the Reporting Period

The Group was notified by its associate, CNNC Leasing, that a shareholder resolution was passed unanimously on 30th August, 2023 to increase the registered capital of CNNC Leasing from approximately RMB3.24 billion to approximately RMB4.88 billion (the "Capital Injection") by way of capital injection from three existing shareholders of CNNC Leasing. The Group did not opt to take part in the Capital Injection. Following the passing of the resolution, all shareholders of CNNC Leasing will enter into a capital injection agreement in respect of the Capital Injection.

CNNC Leasing shall register officially the Capital Injection and amend its Memorandum and Articles of Association ("M&A") accordingly. The official registration and the amendment of M&A are expected to be completed by the end of 2023. As the Group did not take part in the Capital Injection, following the completion of the Capital Injection, the equity interest of the Group in CNNC Leasing is expected to decrease from approximately 11.36% to approximately 7.55%. The board of CNNC Leasing will continue to consist of seven (7) directors, one of whom will be appointed by the Group.

Save as disclosed, up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Company that comes to the attention of the Directors after the Period.

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the Period (2022 Period: 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 all the code provisions set out in Part 2 of Appendix 14 to the Listing Rules throughout the Period.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in 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 the securities transactions by Directors adopted by the Company.

Audit Committee

An audit committee (the "Audit Committee") has been established by the Company and its principal duties include reviewing the Group's financial reporting system, internal control procedures, risk management, assessing the adequacy of the human resources of the Group's accounting and finance department and maintaining good and independent communications with the management as well as external auditor of the Company. 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 unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th June, 2023 have been reviewed by the Audit Committee and the Audit Committee is of the view that the interim financial statements are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Remuneration Committee

In accordance with the requirements of the Listing Rules, a remuneration committee (the "Remuneration Committee") has been established by the Company, and its principal responsibilities include making recommendations to Board on the Company's policy and structure for the remuneration of directors and reviewing their specific remuneration package for Directors and senior management. 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 Listing Rules, a nomination committee (the "Nomination Committee") has been established by the Company and its principal responsibilities include reviewing the structure, size, diversity and composition of the Board at least annually; making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. 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.

Publication of Interim Results and Interim Report

This announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk). An interim report for the six months ended 30th June, 2023 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites 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
Wang Cheng

Hong Kong, 31st August, 2023

As of 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.