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, 2023

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, 2023 (the "Year"), together with comparative figures for the year ended 31st December, 2022 (the "2022 Year"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31st December,	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
Revenue	3	**580,958**	905,730
Cost of sales		**(453,905)**	(802,938)
Gross profit		**127,053**	102,792
Other income and gains and losses, net		**6,898**	3,938
Net exchange gains (losses)		**1,444**	(2,339)
Gain on deemed disposal of interest in an associate		**2,401**	—
Selling and distribution expenses		**(2,331)**	(1,593)
Administrative expenses		**(30,476)**	(31,190)
Share of result of an associate		**32,170**	25,084
Finance costs		**(14,044)**	(8,602)
Profit before tax	4	**123,115**	88,090
Income tax expenses	5	**(16,800)**	(7,247)
Profit for the year		**106,315**	80,843

	NOTES	For the year ended 31st December, 2023 HK$'000	2022 HK$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,335)**	(4,896)
Share of exchange difference of an associate		**(43,266)**	(18,994)
Release of translation reserve upon deemed disposal of an associate		**6,965**	—
Other comprehensive expense for the year		**(37,636)**	(23,890)
Total comprehensive income for the year attributable to owners of the Company		**68,679**	56,953
Basic and diluted earnings per share	7	**HK21.7 cents**	HK16.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**647**	360
Exploration and evaluation assets		**—**	—
Right-of-use asset		**4,475**	—
Interests in associates		**412,718**	438,257
Deposit	9	**1,074**	—
		418,914	438,617
Current assets			
Inventories	8	**291,708**	76,233
Other receivables, deposits and prepayments	9	**3,894**	1,344
Amount due from immediate holding company	10	**95,912**	—
Cash and cash equivalents		**180,434**	130,732
		571,948	208,309
Current liabilities			
Trade and other payables and accruals	11	**332,829**	27,765
Amount due to immediate holding company		**1,312**	519
Amount due to an intermediate holding company		**1,906**	1,905
Amount due to ultimate holding company		**1,977**	1,977
Loan from immediate holding company		**—**	36,000
Lease liability		**1,362**	—
Income tax payable		**5,918**	5,152
		345,304	73,318
Net current assets		**226,644**	134,991

	As at 31st December,	
	2023	2022
	HK$'000	*HK$'000*
Total assets less current liabilities	**645,558**	573,608
Non-current liabilities		
Loan from immediate holding company	**182,000**	182,000
Lease liability	**3,271**	—
	185,271	182,000
Net assets	**460,287**	391,608
Capital and reserves		
Share capital	**4,892**	4,892
Reserves	**455,395**	386,716
Equity attributable to owners of the Company	**460,287**	391,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2023

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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)

The new/amendments to HKFRSs that are effective from 1st January, 2023 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 trading of mineral properties and exploration and selling of mineral properties. The Group's segments of operation under HKFRS 8 are as follows:

- Trading of mineral properties — 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 by reportable and operating segments:

For the year ended 31st December, 2023

Segments	**Trading of mineral properties** *HK$'000*	**Exploration and selling of mineral properties** *HK$'000*	**Total** *HK$'000*
Trading of uranium	**567,900**	**—**	**567,900**
Commission income from uranium purchase transaction	**13,058**	**—**	**13,058**
	580,958	**—**	**580,958**

For the year ended 31st December, 2022

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

For the year ended 31st December, 2023

	Trading of mineral properties *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Total *HK$'000*
Segment revenue	**580,958**	**—**	**580,958**
Segment profit (loss)	**116,650**	**(6,009)**	**110,641**
Bank interest income			**2,627**
Unallocated corporate income			**4,276**
Unallocated corporate costs			**(14,956)**
Gain on deemed disposal of interest in an associate			**2,401**
Share of result of an associate			**32,170**
Unallocated finance costs			**(14,044)**
Profit before tax			**123,115**

For the year ended 31st December, 2022

	Trading of mineral properties *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Total *HK$'000*
Segment revenue	905,730	—	905,730
Segment profit (loss)	93,946	(4,029)	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

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, gain on deemed disposal of interest in an associate, 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,	
	2023	2022
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
— Trading of mineral properties	**514,712**	134,687
— Exploration and selling of mineral properties	**7,458**	4,456
	522,170	139,143
Interests in associates	**412,718**	438,257
Unallocated corporate assets	**55,974**	69,526
Consolidated assets	**990,862**	646,926
LIABILITIES		
Segment liabilities		
— Trading of mineral properties	**310,337**	7,187
— Exploration and selling of mineral properties	**22,275**	19,721
	332,612	26,908
Unallocated corporate liabilities	**197,963**	228,410
Consolidated liabilities	**530,575**	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, right-of-use asset, inventories, other receivables, deposits and prepayments, amount due from immediate holding company and cash and cash equivalents which are directly attributable to the relevant reportable segment.

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

Geographical information

An analysis of the Group's revenue by geographical market is as follows:

	Revenue For the year ended 31st December, 2023 HK$'000	2022 HK$'000
PRC (including Hong Kong)	**455,175**	206,736
The United Kingdom	**84,344**	208,644
United States	**39,722**	—
Japan	**1,717**	—
Czech Republic	**—**	142,317
Canada	**—**	348,033
	580,958	905,730

4. PROFIT BEFORE TAX

	For the year ended 31st December, 2023 HK$'000	2022 HK$'000
Profit before tax has been arrived at after charging:		
Directors' emoluments	**1,880**	2,049
Other staff costs	**17,622**	15,534
Retirement benefit schemes contributions	**1,009**	1,108
Total staff costs	**20,511**	18,691
Depreciation of property, plant and equipment	**142**	169
Depreciation of right-of-use asset	**128**	—
Total depreciation	**270**	169
Auditor's remuneration		
— Audit services	**1,700**	1,600
— Non audit services	**154**	73
Cost of inventories recognised as an expense	**453,905**	802,938
Expense relating to short-term leases	**579**	660
Net exchange losses	**—**	2,339
and after (crediting):		
Interest income from banks	**(2,627)**	(1,541)
Net exchange gains	**(1,444)**	—

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,	
	2023	2022
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Current tax — Hong Kong profits tax		
Charge for the year	**15,231**	4,624
Over provision in prior years	**(985)**	—
Current tax — PRC EIT		
Charge for the year	**173**	232
Withholding tax on dividend received from an associate	**2,381**	2,391
	16,800	7,247

6. 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, 2023 (2022 Year: Nil).

7. 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,	
	2023	2022
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**106,315**	80,843

	For the year ended 31st December,	
	2023	2022
	Shares	*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,	
	2023	2022
	HK cents	*HK cents*
Earnings per share	**21.7**	16.5

Diluted earnings per share for the years ended 31st December, 2023 and 2022 were the same as basic earnings per share as there were no potential ordinary shares in issue during the respective years.

8. INVENTORIES

	As at 31st December,	
	2023	2022
	HK$'000	*HK$'000*
Uranium concentrates	**290,227**	75,471
Consumable goods	**1,481**	762
	291,708	76,233

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31st December,	
	2023	2022
	HK$'000	*HK$'000*
Other receivables	**1,573**	79
Deposits	**1,110**	34
Prepayments	**2,285**	1,231
	4,968	1,344
Less: Non-current portion deposit	**(1,074)**	—
	3,894	1,344

10. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is denominated in US$. It is trade nature, unsecured, interest-free and repayable within 30 days upon invoice date.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31st December,	
	2023	2022
	HK$'000	*HK$'000*
Trade payables — aged 0 to 30 days *(Note i)*	**303,699**	—
Interests payables to immediate holding company	**2,514**	2,529
Other payables	**3,462**	961
Other payable to the joint operator of the joint operation *(Note ii)*	**18,728**	17,816
Accruals	**4,426**	6,459
	332,829	27,765

Notes:

i. An aged analysis of the above trade payables presented based on the invoice date. The credit period on purchase of goods is 5 to 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the Year (2022 Year: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, the Group has a gross profit of approximately HK$127,053,000 (2022 Year: approximately HK$102,792,000), with a gross profit margin of approximately 21.9% (2022 Year: approximately 11.4%), an increase of approximately 10.5%; a profit before tax of approximately HK$123,115,000 (2022 Year: approximately HK$88,090,000), with a profit before tax margin of approximately 21.2% (2022 Year: approximately 9.7%), an increase of approximately 11.5%; a net profit of approximately HK$106,315,000 (2022 Year: approximately HK$80,843,000), with a net profit margin of approximately 18.3% (2022 Year: approximately 8.9%), an increase of approximately 9.4%, as compared to the 2022 Year. As of 31st December, 2023, the Group's net assets were approximately HK$460,287,000 (2022 Year: approximately HK$391,608,000), with the return on equity or net assets reaching approximately 23.1% (2022 Year: approximately 20.6%), an increase of approximately 2.5%, as compared to the 2022 Year.

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 uncertainties stemming from the Russian-Ukraine conflict, worldwide inflation and recessionary concerns, along with a rising interest from financial investors in natural uranium. Meanwhile, the uranium term market price had remained steady with gradual increase over 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 actively seeking high-quality uranium resources projects to complement the development of China National Nuclear Corporation (中國核工業集團有限公司) ("CNNC", the ultimate parent company of the Group) and its subsidiaries (but excluding the Group) (the "Parent Group"), as well as to leverage on the strengths of the Parent Group. For the Year, the Group generated revenue from trading of uranium of approximately HK$567,900,000, corresponding to sales of approximately 1.16 million pounds of natural uranium (of which approximately 0.50 million pounds were sold under trades to and from independent third parties and approximately 0.66 million pounds were sold to the Parent Group through the Uranium Supply Transactions (has the meaning ascribed to it in the Company's circular dated 31st May, 2022 (the "May 2022 Circular"), which constituted a continuing connected transaction for the Company)). For the Year, the Group also facilitated trades of 1.40 million pounds of natural uranium for Rössing through the Uranium Purchase Transactions (has the meaning ascribed to it in the May 2022 Circular, which constituted a continuing connected transaction for the Company), which brought in commission income of approximately HK$13,058,000 for the Group.

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 trading of natural uranium of approximately HK$580,958,000 (2022 Year: approximately HK$905,730,000) and HK$453,905,000 (2022 Year: approximately HK$802,938,000) respectively, a decrease of approximately 35.9% for "Revenue" and 43.5% for "Cost of Sales", which resulted in "Gross Profit" of approximately HK$127,053,000 (2022 Year: approximately HK$102,792,000), with a gross profit margin of approximately 21.9% (2022 Year: approximately 11.4%), an increase of approximately 10.5% as compared to the 2022 Year. The apparent decrease in revenue was primarily attributable to the decrease in the sales of uranium products through trades to and from independent third parties. This downturn has been significantly influenced by the upward shift in interest rates during the Year, resulting in an increased borrowing costs associated with financing for international trade, where such economic conditions have notably impacted many sectors that are heavily reliant on capital investment. In addition, due to geopolitical condition affecting logistics, certain originally scheduled sales to the Parent Group under physical delivery were impacted and postponed. Notwithstanding the above challenges, the Group has achieved an improved overall gross margin on the back of a notably improving uranium trade market, particularly in the second half of the Year, and the benefits derived from physical delivery trades conducted with the Parent Group under the continuing connected transactions framework agreement with China National Uranium Co., Limited (中國鈾業股份有限公司) ("CNUC") entered into in February 2022 (as supplemented, modified or otherwise amended from time to time, the further details of which are particularised in the May 2022 Circular) which, given the added complexity and services provided on logistical arrangements (as opposed to trades to and from independent third parties which are customarily conducted under a book transfer basis), has allowed the Group to demand and achieve better profit margins.

The Group has continued to improve its profit position and reported a net profit for the Year of approximately HK$106,315,000 (2022 Year: approximately HK$80,843,000) with a net profit margin of 18.3% (2022 Year: approximately 8.9%), an increase of 9.4% as compared to the 2022 Year, mainly driven by, among other things: (i) a gross profit of approximately HK$127,053,000 (2022 Year: approximately HK$102,792,000) from the trading of natural uranium; and (ii) a share of profit from an associate of approximately HK$32,170,000 in the Year (2022 Year: approximately HK$25,084,000).

"Other income and gains and losses, net", of approximately HK$6,898,000 (2022 Year: approximately HK$3,938,000), was mainly due to the substantial increase of bank interest income for the Year.

"Net exchange (losses) gains" of gains of approximately HK$1,444,000 were recorded during the Year (2022 Year: losses of approximately HK$2,339,000), which were mainly attributable to the differences resulting from the slight depreciation in the US$ against HK$ on the carrying amount of assets denominated in the US$.

"Selling and distribution expenses" has increased by approximately 46.3% to approximately HK$2,331,000 (2022 Year: approximately HK$1,593,000), which was mainly due to extra storage fees incurred for inventory received at one of the designated natural uranium conversion facilities towards the end of the Year as compared to the 2022 Year.

"Administrative expenses" amounted to approximately HK$30,476,000 (2022 Year: approximately HK$31,190,000), which remained stable.

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). CNNC Leasing issued additional equities during the Year, resulting in the dilution of the Group's interest in the associate to approximately 7.55% of the enlarged capital. The Group recorded "share of result of an associate" of profits of approximately HK$32,170,000 (2022 Year: approximately HK$25,084,000), an increase of approximately 28.2%, as the financial results of the associate have continued to show significant improvement since the merger.

During the Year, the Group incurred "Finance costs" of approximately HK$14,044,000 (2022 Year: approximately HK$8,602,000) mainly arising from interests incurred on "Loan from immediate holding company" utilized in the investment in an associate, the rising interest rate in the financial market during the Year has resulted in an substantial increase of approximately 63.3% on the interest expenses charged to the Group as compared to 2022 Year.

During the Year, "Income tax expense" of approximately HK$16,800,000 was provided (2022 Year: approximately HK$7,247,000). 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$106,315,000 (2022 Year: approximately HK$80,843,000). After having taken into account of the other comprehensive expense of approximately HK$37,636,000 (2022 Year: approximately HK$23,890,000) relating to exchange differences arising from the translation to presentation currency, release of translation reserve upon deemed disposal of an associate and share of exchange difference of an associate, the total comprehensive income for the Year amounted to approximately HK$68,679,000 (2022 Year: approximately HK$56,953,000).

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. By leveraging on the strengths of the Parent Group in the field of nuclear energy, the Group views this as a strategic alliance that produces synergistic effects, further cementing its position in the uranium products trading sector.

As disclosed in the announcements of the Company dated 23rd February, 2022, 26th May, 2022 and 23rd June, 2022, and the May 2022 Circular, 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, 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. The said framework agreement was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company on 23rd June, 2022.

The Group expects the continuing connected transactions with CNUC Group will continue to be carried out on a continuing basis and in the ordinary and usual course of business of the Group, which 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 Group considers that being a member of CNUC Group and having considered the competitive edges of the Group, it is in a 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. During the Year, the Group has secured a general banking facility of a banking institution for trade finance in the amount of up to US$30,000,000 which further strengthens the financial resources of the Group in addition to the revolving loan provided by a subsidiary of CNNC. The loans would strengthen financial support to the Group to enlarge our growing 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.

In the long run, the Group also aims to expand and diversify its business by leveraging on the strengths of its ultimately holding company, CNNC, 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, 2023, the Group employed 32 (2022 Year: 23) full-time employees of whom 6 (2022 Year: 5) were based in Hong Kong, 22 (2022 Year: 14) were based in the PRC and 4 (2022 Year: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK$20,511,000 (2022 Year: approximately HK$18,691,000).

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$51,042,000 (2022 Year: net cash outflow of approximately HK$14,980,000) 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$130,732,000 as at 31st December, 2022 to approximately HK$180,434,000 as at 31st December, 2023. The Group's financial position remained healthy in the Year.

As at 31st December, 2023, the Group had net current assets amounting to approximately HK$226,644,000 (as at 31st December, 2022: approximately HK$134,991,000) and current liabilities amounting to approximately HK$345,304,000 (as at 31st December, 2022: approximately HK$73,318,000). As at 31st December, 2023, the Group had an amount due from immediate holding company of approximately HK$95,912,000 (as at 31st December, 2022: Nil) which is of trade nature, and trade payable of approximately HK$303,699,000 (at 31st December, 2022: Nil). Capital expenditures on property, plant and equipment were approximately HK$432,000 during the Year (2022 Year: approximately HK$224,000).

Total shareholders' funds increased from approximately HK$391,608,000 as at 31st December, 2022 to approximately HK$460,287,000 as at 31st December, 2023, mainly due to the total comprehensive income during the Year. The gearing ratio, in terms of total debts to total assets, increased to 0.54 (as at 31st December, 2022: 0.40) as at 31st December, 2023 mainly due to the increase in trade and other payables 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 CNNC, 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 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.

On 23rd November, 2023, a direct subsidiary of the Company, China Nuclear International Corporation ("CNIC") has entered into a general banking facility agreement with a banking institution (the "Bank") for the purpose of, among other matters, the purchase of natural uranium products or other goods acceptable to the bank in the amount up to US$30,000,000 (the "Facility"). Under the terms of the general banking facility agreement, the interest rate of any amount drawn down from the Facility shall be subject to an interest rate charge of LIBOR +1.60% per annum. The Facility is subject to the Bank's review on or before the date falling 12 months from the date of the Facility, or at such other earlier times as the Bank deems fit. Each drawdown is repayable within 180 days.

Pursuant to the Facility, if, among other matters, any of the followings occurs, the Facility may be cancelled with all outstanding amounts under the Facility (together with interests accrued thereon and other amounts payable thereunder) becoming immediately due and payable.

(a) CNUC holds beneficially less than 51% (directly or indirectly) in the Company; or

(b) CNNC ceases to be the single largest shareholding interest in the Company.

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 both the Trade Loan and the Facility would strengthen 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, 2023.

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.

As security for banking facilities granted to the Group for its trading operation, certain bank accounts of CNIC were charged.

Apart from the above, there was no other charge on the Group's assets during the Year (2022 Year: apart from the shares in Somina, nil).

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.

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 C1 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 C3 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. The Group's consolidated financial statements have been audited by the Company's auditor, BDO Limited, and it has issued an unmodified opinion.

REMUNERATION COMMITTEE

A remuneration committee (the "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

A nomination committee (the "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, 2023 containing all the information required by Appendix D2 to 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, 25th March, 2024

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 directors, namely, Mr. Wu Ge and Mr. Sun Ruo Fan, and independent non-executive directors, namely, Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi.