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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2020

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, 2020 (the "Year"), together with comparative figures for the corresponding year of 2019 (the "2019 Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31st December, 2020 HK$'000	2019 HK$'000
Revenue	3	**1,662,470**	3,169,836
Cost of sales		**(1,676,192)**	(3,137,195)
Gross (loss) profit		**(13,722)**	32,641
Other income and gains and losses		**4,665**	7,656
Gain on deemed disposal of interest in an associate		**24,999**	—
Net exchange gains (losses)		**290**	(2,597)
Selling and distribution expenses		**(4,463)**	(3,560)
Administrative expenses		**(21,714)**	(21,918)
Impairment loss on exploration and evaluation assets		**—**	(210,367)
Impairment loss on property, plant and equipment		**(11,459)**	—
Share of result of an associate		**(4,140)**	(1,896)
Finance costs		**(16,693)**	(17,365)
Loss before tax	4	**(42,237)**	(217,406)
Income tax expenses	5	**(3,860)**	(1,917)
Loss for the year		**(46,097)**	(219,323)

	NOTES	For the year ended 31st December, 2020 HK$'000	2019 HK$'000
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		—	(1,646)
Fair value gain on investment in equity instrument of fair value through other comprehensive income ("FVTOCI")		—	(4,176)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,887**	—
Share of exchange difference of an associate		**22,428**	(6,627)
Release of translation reserve upon deemed disposal of an associate		**(6,073)**	—
Other comprehensive income (expense) for the year		**20,242**	(12,449)
Total comprehensive expense for the year attributable to owners of the Company		**(25,855)**	(231,772)
Basic and diluted loss per share	7	**HK(9.4) cents**	HK(44.8) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31st December, 2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**151**	12,605
Exploration and evaluation assets		**—**	—
Interests in associates		**433,394**	422,069
Right-of-use asset		**222**	556
		433,767	435,230
Current assets			
Inventories	8	**3,803**	340,858
Trade and other receivables and prepayments	9	**30,346**	251,509
Prepaid tax		**172**	—
Restricted cash		**5,433**	19,004
Bank balances and cash		**144,333**	100,543
		184,087	711,914
Current liabilities			
Trade, bills and other payables and accruals	10	**21,592**	241,622
Contract liabilities	11	**—**	25,617
Bank borrowings		**282,125**	538,774
Lease liability		**228**	331
Amount due to an intermediate holding company		**1,892**	1,901
Amount due to ultimate holding company		**1,977**	1,977
Amounts due to fellow subsidiaries		**140**	140
Income tax payable		**833**	1,632
		308,787	811,994
Net current liabilities		**(124,700)**	(100,080)

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
Total assets less current liabilities	**309,067**	335,150
Non-current liability		
Lease liability	—	228
Net assets	**309,067**	334,922
Capital and reserves		
Share capital	**4,892**	4,892
Share premium and reserves	**304,175**	330,030
Equity attributable to owners of the Company	**309,067**	334,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

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.

In preparing the consolidated financial statements of the Company, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$46,097,000 for the year ended 31st December, 2020 and as of that date, the Group had net current liabilities of approximately HK$124,700,000.

The Group had not complied with certain covenants as stipulated in the bank loan agreement of the Group's bank borrowing of approximately HK$282,125,000 (net of loan front-end fee) outstanding as at 31st December, 2020, in particular i) after recognition of the write-down of electronics products inventories included in "Cost of sales" in the amount of approximately HK$52,409,000 in the consolidated financial statements for the Year, the Group did not meet certain ratio of total liabilities to total assets at all times, in the consolidated financial statement as at 31st December, 2020; and ii) the Group's shares were suspended for trading on the Stock Exchange over 21 consecutive trading days. Accordingly, such bank borrowing was immediately due and payable. The Company has been granted a one-time waiver from the lender, regarding to non-compliance of certain financial ratio and suspension of trading, to extend the repayment date up to 31st October, 2021. Accordingly, such bank borrowing was fully repaid on 27th October, 2021.

On 30th September, 2021, the Group entered into a 3-year loan agreement with immediate holding company amounting HK$230,000,000 to settle the outstanding balance of the above bank borrowing.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Problematic purchases in the supply chain business segment ("Problematic Purchases")

In 2018, the Group had commenced the supply chain business as one of its principal activities through trading of electronics products ("Electronics Products Business") and dispersed metals ("Dispersed Metals Business") on a back-to-back basis which was managed under essentially the same management team. 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. Both the Electronics Products Business and Dispersed Metals Business were carried out in a similar manner and trading terms. Details of the financial information of the supply chain business segment were set out in Note 3.

During the period between October 2019 and February 2020, the Group entered into several transactions of electronics products with Customers A and B ("Two Customers") and with Suppliers X, Y and Z ("Three Suppliers"). As at 31st December, 2019, 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 customers' 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 noted that certain samples of the uncollected goods might have quality issues. Management of the Company resolved to and subsequently identified and engaged a recognised independent electronic component testing institution to carry out testing of those inventories between December 2020 and February 2021. The resultant testing reports revealed that those inventories were found to include a mix of substandard, refurbished or counterfeit goods ("Problematic Goods"). As of the date of approval of these consolidated financial statements, the Problematic Goods still remain in the Group's warehouse. Management of the Company determined to write-down the Problematic Goods costing HK$52,409,000 in full as expense and forfeited the deposits received of HK$13,388,000 as revenue to the consolidated statement of profit or loss and other comprehensive income during the year ended 31st December, 2020.

In light of the above circumstances, with consultation to its legal advisor as to its right and obligations under the sales and purchases contracts, the Group demanded refunds from the Three Suppliers and pursued the collections by the Two Customers concerning the Problematic Goods. During this course, management of the Company noted the following:

i) Customer A has taken legal action against its on-sale customer and the beneficiary of this on-sale customer for breach of contracts and discovered the relationship between this on-sale customer and the supplier of Supplier X, who was introduced by this on-sale customer, that they were allegedly controlled and owned by the same individuals ("Problematic Purchase 1"); and

ii) Supplier Y did not assist the Company to follow-up the Problematic Goods with its supplier but referred the Company to the representative of Customer B for the matters in relation to the Problematic Goods. They are not responsible for the Problematic Goods. ("Problematic Purchase 2").

After seeking legal advice and having considered the results of the laboratory testing reports, management of the Company considered both Problematic Purchases 1 and 2 might involve illegal acts perpetrated by the relevant customers and/or suppliers, and therefore decided to report these suspicious transactions to the law enforcement agencies in the PRC and Hong Kong in 2021. However, no investigation was initiated by these agencies due to lack of sufficient evidence.

With the recommendation of the audit committee of the Company ("AC"), an independent director committee ("IDC"), comprising all independent non-executive directors, was established on 28th January, 2022 and the AC and IDC engaged SHINEWING Financial Advisory Services Limited as the independent expert (the "Independent Expert") to perform an independent review that aims at finding the facts in relation to the Problematic Purchases and identifying the root cause(s) (the "Independent Review").

During the Independent Review, a number of limitations was encountered by the Independent Expert. These limitations, amongst others, included failure of interviewing the customers and the suppliers of the Problematic Purchases 1 and 2 due to their non-response to the interview invitations. The scope, major procedures, findings and limitations of the Independent Review were set out in the announcement made by the Company dated 15th August, 2022.

To facilitate the Independent Review, an independent corporate investigation and risk consulting firm was further engaged to perform background investigations on the customers and suppliers of the trading of electronics products in the supply chain business and their directors and shareholders. Based on the results of the background investigations, the Independent Expert concluded that it was very likely there existed a connection between:

(a) the alleged intermediate supplier and the alleged intermediate customer identified by Customer A in regards of Problematic Purchase 1; and

(b) the Supplier Y and Customer B in regard of Problematic Purchase 2.

Pursuant to the Independent Review report, the root causes leading to the Problematic Purchases not being prevented and detected comprised of, amongst others:

(i) significant internal control weaknesses, in terms of both the control environment and the implementation;

(ii) a lax risk management approach towards the conducts of the business in favour of business growth having allowed to persist, coupled with the lack of due care and skills involved on the part of the operation team where risk concerns raised and advices given by the risk management department of the Company were at times sidestepped and neglected by the operation team; and

(iii) imprudent business planning and design of business model, which lacked consideration of all business risks involved.

The IDC is of the view, which the audit committee and the management of the Company concurred, that the combination of system and human factors was the principal root causes leading to the Problematic Purchases, which together contributed to the failure on the part of the Company to detect and identify the Problematic Purchases, and the failed system was then exploited by the colluded customers and suppliers to conduct transactions with suspicious commercial rationale through the Group, leading to the Problematic Purchases.

Having evaluated, among other things, the financial and inventory risks involved in the supply chain business, particularly brought to light from incidents of the Problematic Purchases as set out below, and the uncertainties on the macro environment attributed by the COVID-19 pandemic, management of the Company gradually reduced the scale of the supply chain business in 2020. The supply chain business was then suspended with the last sale transaction entered into in late 2020 and discontinued in first half of 2021.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has applied the following new/amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Adoption of new/amendments to HKFRSs

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19 Related Rent Concessions

The new/amendments to HKFRSs that are effective from 1st January, 2020 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 currently organises its operations into three operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely trading of mineral properties, exploration and selling of mineral properties and supply chain. They represent three major lines of business engaged by the Group. The Group's operating and reportable segments under HKFRS 8 are as follows:

- Trading of mineral properties — trading of uranium
- Exploration and selling of mineral properties — exploration and selling of uranium
- 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 reportable and operating segments:

For the year ended 31st December, 2020

Segments	**Trading of mineral properties** *HK$'000*	**Exploration and selling of mineral properties** *HK$'000*	**Supply chain** *HK$'000*	**Total** *HK$'000*
Trading of				
— uranium	**662,994**	**—**	**—**	**662,994**
— electronics and other products	**—**	**—**	**176,936**	**176,936**
— dispersed metals	**—**	**—**	**822,540**	**822,540**
	662,994	**—**	**999,476**	**1,662,470**

For the year ended 31st December, 2019

Segments	Trading of mineral properties *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Supply chain *HK$'000*	Total *HK$'000*
Trading of				
— uranium	601,321	—	—	601,321
— electronics and other products	—	—	1,418,306	1,418,306
— dispersed metals	—	—	1,150,209	1,150,209
	601,321	—	2,568,515	3,169,836

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

For the year ended 31st December, 2020

	Trading of mineral properties ***HK$'000***	**Exploration and selling of mineral properties** ***HK$'000***	**Supply chain** ***HK$'000***	**Total** ***HK$'000***
Segment revenue	**662,994**	**—**	**999,476**	**1,662,470**
Segment profit (loss)	**7,855**	**(16,735)**	**(35,199)**	**(44,079)**
Bank interest income				**410**
Unallocated corporate income				**2,207**
Gain on deemed disposal of interest in an associate				**24,999**
Unallocated corporate costs				**(8,535)**
Share of result of an associate				**(4,140)**
Unallocated finance costs				**(13,099)**
Loss before tax				**(42,237)**

For the year ended 31st December, 2019

	Trading of mineral properties *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Supply chain *HK$'000*	Total *HK$'000*
Segment revenue	601,321	—	2,568,515	3,169,836
Segment profit (loss)	2,788	(215,715)	17,534	(195,393)
Bank interest income				881
Unallocated corporate costs				(7,775)
Share of result of an associate				(1,896)
Unallocated finance costs				(13,223)
Loss before tax				(217,406)

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, gain on deemed disposal of interest in an associate, 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 reportable and operating segments:

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
— Trading of mineral properties	**69,262**	324,479
— Exploration and selling of mineral properties	**4,704**	15,368
— Supply chain	**78,618**	378,979
	152,584	718,826
Interests in associates	**433,394**	422,069
Unallocated corporate assets	**31,876**	6,249
Consolidated assets	**617,854**	1,147,144
LIABILITIES		
Segment liabilities		
— Trading of mineral properties	**992**	337,588
— Exploration and selling of mineral properties	**19,018**	16,753
— Supply chain	**916**	167,202
	20,926	521,543
Unallocated corporate liabilities	**287,861**	290,679
Consolidated liabilities	**308,787**	812,222

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

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

- Segment liabilities include trade, bills and other payables and accruals, contract liabilities, bank borrowings 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	
	2020	2019
	HK$'000	*HK$'000*
PRC (including Hong Kong)	**1,031,032**	2,606,781
The United Kingdom	**198,021**	121,734
The United States	**140,523**	106,325
Germany	**133,396**	94,102
Switzerland	**93,657**	52,426
Canada	**65,841**	—
Other	**—**	188,468
	1,662,470	3,169,836

4. LOSS BEFORE TAX

	For the year ended 31st December,	
	2020	2019
	HK'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Directors' emoluments	**1,481**	1,467
Other staff costs	**14,143**	9,508
Retirement benefit schemes contributions	**599**	771
Total staff costs	**16,223**	11,746
Depreciation of property, plant and equipment	**992**	868
Depreciation of right-of-use asset	**334**	111
Total depreciation	**1,326**	979
Auditor's remuneration		
— Current year	**1,400**	2,156
— Over provision in prior year	**(181)**	—
Total auditor's remuneration	**1,219**	2,156
Loss on disposal of property, plant and equipment	**96**	1,575
Cost of inventories recognised as an expense, including	**1,676,192**	3,137,195
— Write-down of inventories	**52,409**	—
Impairment loss on property, plant and equipment	**11,459**	—
Impairment loss on exploration and evaluation assets	**—**	210,367
Expenses relating to short-term leases	**424**	1,054
Net exchange losses	**—**	2,597
and after crediting:		
Bank interest income	**(410)**	(881)
Net exchange gains	**(290)**	—

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 31 December,	
	2020	2019
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Current tax — Hong Kong profits tax		
Charge for the year	**—**	808
Over provision in prior years	**(36)**	—
Current tax — PRC EIT		
Charge for the year	**587**	1,085
Under provision in prior years	**720**	24
Withholding tax on dividend received from an associate	**2,589**	—
	3,860	1,917

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, 2020.

7. LOSS PER SHARE

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

	For the year ended 31st December,	
	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(46,097)**	(219,323)

	2020	2019
	Shares	*Shares*
Number of ordinary shares for the purposes of calculation of loss per share	**489,168,308**	489,168,308

	2020	2019
	HK cents	*HK cents*
Loss per share	**(9.4)**	(44.8)

Diluted loss per share for the years ended 31st December, 2020 and 2019 were the same as basic loss per share as there were no potential ordinary shares in issue during the respective years.

8. INVENTORIES

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
Uranium concentrates	**3,417**	213,449
Electronic and other products	**52,409**	127,409
Consumable goods	**386**	—
	56,212	340,858
Less: Provision for write-down	**(52,409)**	—
	3,803	340,858

The Group wrote-down its inventory of HK$52,409,000 for the year ended 31st December, 2020 (2019: HK$Nil). The write-down is due to certain electronics components inventory in the supply chain business were found to include a mix of substandard, refurbished or counterfeit goods. The management estimates the net realisable amount of the inventory by management estimation with reference to the information in similar industry and management's experience.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables — aged 0 to 30 days	**29,305**	231,322
Trade receivables — aged 31 to 60 days	**—**	16,521
	29,305	247,843
Other receivables	**91**	3,377
Deposits paid	**34**	89
Prepayments	**916**	200
	30,346	251,509

The Group allows a credit period of 0 to 60 days to its trade customers and presented the aged analysis of trade receivables based on the invoice date.

10. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
Trade payables — aged 0 to 30 days	**—**	153,398
Bills payables	**—**	65,944
Interests payables	**63**	164
Other payables	**985**	3,015
Other payable to the joint operator of the joint operation *(note)*	**16,960**	14,703
Accruals	**3,584**	4,398
	21,592	241,622

The average credit period on purchase of goods was 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

11. CONTRACT LIABILITIES

	As at 31st December,	
	2020	2019
	HK$'000	*HK$'000*
At 1 January	**25,617**	15,520
Decrease in contract liabilities as a result of recognising income during the year that was including in the contract liabilities at beginning of year	**(25,617)**	(15,520)
Increase in contract liabilities as a result of billing in advance	**—**	25,617
At 31 December	**—**	25,617

The Group receives the prepayments from wholesale customers from supply chain segment when they sign the sale and purchase agreements. This will give rise to contract liabilities at the execution of a contract, until the revenue was recognised on relevant contracts.

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, 18 and 22 referred below are disclosed as Note 3, 8 and 11 in this results announcement respectively.)

The Company's auditor, Messrs. BDO Limited ("Auditor"), has issued a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31st December, 2020, an extract of the auditor's report is as follows:

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As described in the Note 1 to the consolidated financial statements, the Group had 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. 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 (as included in the inventories balance of HK$340,858,000 as at 31st December, 2019 and disclosed in Note 18 to the consolidated financial statements) awaiting collection by the Two Customers and contract liabilities amounting to HK$8,018,000 (as included in the contract liabilities balance of HK$25,617,000 as at 31st December, 2019 and disclosed in Note 22 to the consolidated financial statements) 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 noted that certain samples of the uncollected goods might have quality issues. Further to the communication with one of the Two Customers, management suspected that the intermediate supplier and intermediate customer in one transaction chain might be controlled by the same parties. The management resolved to and subsequently identified and engaged a recognised independent electronic component testing institution to carry out testing of those inventories between December 2020 and February 2021. The resultant testing reports revealed that those inventories were found to include a mix of substandard, refurbished or counterfeit goods ("Problematic Goods"). As of the date of approval of these consolidated financial statements, the Problematic Goods still remain in the Group's warehouse. Management of the Company determined to write-down the Problematic Goods costing HK$52,409,000 in full as expense and forfeited the customers' deposits received of HK$13,388,000 as revenue to the consolidated statement of profit or loss and other comprehensive income during the year ended 31st December, 2020.

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 by 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 have communicated our concerns to the board of directors ("the Board") during our audit and requested explanations as to how our concerns are considered in the determination of the accounting treatments and related disclosures made in the consolidated financial statements. However, we have not received 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.

There were no alternative audit procedures that we could perform 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 as at and for the year ended 31st December, 2020 and the corresponding periods. These includes, revenue of HK$999,476,000 and HK$2,568,515,000, cost of sales of HK$1,026,211,000 and HK$2,545,291,000 (including the write-down of inventory of HK$52,409,000 and HK$nil) and other income of HK$2,277,000 and HK$7,075,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31st December, 2020 and 2019 respectively; inventories of HK$127,409,000, trade receivables of HK$153,785,000, bills payables of HK$65,944,000 and contract liabilities of HK$25,617,000 as at 31 December 2019 and 1 January 2020; inventories of HK$nil, trade receivables of HK$29,305,000, bills payables of HK$nil and contract liabilities of HK$nil as at 31 December 2020; and the related cashflows and disclosures thereof in these consolidated financial statements.

Any adjustments found necessary would have consequential impact on the financial position as at 1st January, 2020 and 31st December, 2020 and the financial performance and cashflows for the year ended 31st December, 2020 and the disclosures thereof in these consolidated financial statements."

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2020 (2019 Year: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Overview

During the Year, the Group has continued its business of trading of mineral properties and to a lesser extent its supply chain business, including the trading of electronics, dispersed metals ("Dispersed Metals Business") and other products.

Trading in the Shares has been suspended with effect from 9:00 a.m. on 30th April, 2021, pending the publication of the audited annual results of the Group for the financial year ended 31st December, 2020 (the "2020 Annual Results"). According to the announcement of the Company dated 29th April, 2021, the delay in publication of the 2020 Annual Results was due to the fact that the audit works had not been completed, which could only be completed upon the satisfactory completion of a comprehensive review on the inventory write-down (previously referred to as "impairment loss of inventory") of approximately HK$52,409,000 of the Company.

According to the announcement of the Company dated 13th May, 2021, the inventory write-down related to seven purchases of electronic parts and components (the "Problematic Purchases") under the electronics products trading business (the "Electronic Products Business"), a subsegment of the Group's supply chain business once engaged by the Company which commenced in 2018 and had its last trading transaction entered into during the Year.

In March 2020, having evaluated, among other things, the financial and inventory risks involved in the Electronic Products Business particularly brought to light from incidents of the Problematic Purchases, and the uncertainties on the macro environment attributed by the COVID-19 pandemic, the management of the Company resolved to cease the Electronic Products Business and to wind down the Dispersed Metals Business within the supply chain business segment with an aim to cease all supply chain business.

The Group has recorded revenue from trading of natural uranium and supply chain business of approximately HK$1,662,470,000 (2019 Year: approximately HK$3,169,836,000) for the Year, a decrease of approximately 48% over the 2019 Year. The significant decrease in revenue is mainly due to the cessation of trading in electronic products and dispersed metals during the Year as mentioned above. During the Year, a net loss of approximately HK$46,097,000 was recorded as compared to a net loss of approximately HK$219,323,000 recorded in the 2019 Year. The reduction of net loss was mainly due to (i) a gain of deemed disposal of interest in an associate immediately following a merger of an associate of approximately HK$24,999,000 (2019 Year: nil); and (ii) an absence of an impairment loss on exploration and evaluation assets (2019 Year: approximately HK$210,367,000); partially offset by (i) a gross loss of approximately HK$13,722,000 mainly arising from the inventory write-down for the Problematic Purchases having embedded in the cost of sales (2019 Year: a gross profit of approximately HK$32,641,000); and (ii) an impairment loss on property, plant, and equipment in relation to the Group's projects in Mongolia in the amount of approximately HK$11,459,000 (2019 Year: nil).

During the Year, the Group continued to communicate and negotiate with the Mongolian Government to set up a joint venture company for the application of the mining licenses of the Group's Mongolian Mining Project. As mentioned in the announcements dated 9th January, 3rd February, 17th March, 28th April, 4th and 22nd May, 5th June, 6th July, 12th October and 13th November, 2020 of the Company, in the hearing of the Appellate Court with new evidence presented in June, 2020, the Appellate Court concluded the decision of the Capital City Administrative Court of First-Instance of Mongolia (the "Court") was right, but considered that the Group had the rights to make the application with the new evidence to the Court again. The Group's application to the Court to "resume the litigation period" (i.e. the period during which one can litigate) was refused, as the Court considered that the Group did not put forward the application within the litigation period, and could not prove that the delay was due to the wrongful action of Governmental Organisation. Upon appeal, the Appellate Court considered that it had no reasons to reverse the judgment of the below court.

On 29th October, 2020, a working committee ("Committee") included, 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 and the work of the Committee and will make further announcement(s) as and when appropriate.

Operations Review

During the Year, the Group recorded a "Revenue" and "Cost of sales" of approximately HK$1,662,470,000 (2019 Year: approximately HK$3,169,836,000) and approximately HK$1,676,192,000 (2019 Year: approximately HK$3,137,195,000) respectively, a significant decrease of approximately 48% in both revenue and cost of sales over last year, which resulted in a "Gross loss" of approximately HK$13,722,000 in the Year (2019 Year: gross profit approximately HK$32,641,000), a significant decrease of approximately 142% over last year. The significant decrease in revenue and the resulting gross loss are mainly due to a significant decrease in the turnover generated from the supply chain business in the second half of the Year, due to the cessation of trading in electronic products in the first half of the Year and subsequently the trading of dispersed metals by the end of the Year, and the inclusion of inventory write-down concerning the Problematic Purchases in the cost of sales.

"Other income and gains and losses", of approximately HK$4,665,000 (2019 Year: approximately HK$7,656,000), was mainly interest income generated from the bank and customers' overdue charges under the Electronic Products Business. "Net exchange gains (losses)" of approximately HK$290,000 were the net exchange gains recorded during the Year (2019 Year: net exchange loss of approximately HK$2,597,000) where were mainly due to the assets denominated in the appreciate USD offset by the assets denominated in the depreciated MNT.

"Share of result of an associate" recorded a loss of approximately HK$4,140,000 during the Year (2019 Year: approximately HK$1,896,000) mainly due to the Expected Credit Loss adjustment of the differences of accounting standards between the HKFRSs and that of the PRC audited results although the associate recorded profit under the PRC accounting standards in both years. The share of result of associate was generated from the Group's approximately 18.45% (which was subsequently diluted to approximately 11.36% after the Merger mentioned below) share of the registered capital in CNNC Financial Leasing Company Limited (中核融資租賃有限公司) ("CNNC Leasing").

During the Year, the Group has incurred "Finance costs" of approximately HK$16,693,000 (2019 Year: approximately HK$17,365,000) from various short-term and long-term bank facilities of which the Group had secured during the Year for the Group's business trading activities and equity investment in CNNC Leasing.

The Group had incurred an inventory write-down of approximately HK$52,409,000 (2019 Year: Nil) which was included in the cost of sales due to defects of certain electronics components inventory (from the Problematic Purchases) in the supply chain business. The Group had initiated claims against the relevant suppliers, however, the claiming process, if successful, could be lengthy. Further details are set out in the announcements dated 8th January and 15th March, 2021 of the Company.

The Group had incurred an impairment loss of approximately HK$210,367,000 in the 2019 Year on the Group's Mongolian Mining Project (2020: Nil). Such impairment loss was recorded based on the fair market valuation of the Mongolia Mining Project, with consideration being taken on the downward movement of the market price of the natural uranium and the initiation of the lawsuit. Further details of the lawsuit are set out in the sub-section headed "Market and Business Overview" above.

Total Comprehensive Income for the Year

Summing up the combined effects of the foregoing, a net loss for the Year amounted to approximately HK$46,097,000 (2019 Year: loss approximately HK$219,323,000). After taken into account of the other comprehensive income of approximately HK$20,242,000 (2019 Year: expense of approximately HK$12,449,000) relating to exchange differences arising from the translation to presentation currency, and share of exchange difference of an associate, the total comprehensive expense for the Year amounted to approximately HK$25,855,000 (2019 Year: expense of approximately HK$231,772,000).

FUTURE STRATEGIES

As set out in the 2019 Annual Report, the 2020 Interim Report and the announcement dated 15th March, 2021 of the Company, the uncertainties on the macro environment attributed by the COVID-19 pandemic, the financial and inventory risks involved in the Electronic Products Business particularly brought to light from incidents of the Problematic Purchases, the management of the Company resolved to cease the Electronic Products Business and to wind down the Dispersed Metals Business within the supply chain business segment in the Year and focus more in the uranium products trading business, in which the Group had established competitive advantages, and to actively seek high-quality uranium resources projects to complement the development of its parent group.

As disclosed in the announcement of the Company dated 23rd February, 2022, the Company (for itself and on behalf of each of its subsidiaries) and China National Uranium Corporation, Limited (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. 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 will facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC and worldwide market, which in turn will 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.

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.

Being a member of CNUC Group and having considered the competitive edges of the Group, the Group is considered to be in a better strategic position to be designated as the procurement arm of CNUC Group in the international uranium market. On 1st July, 2022, the Company completed a delivery of approximately 533,000 pounds of uranium products to the CNUC Group under the FA.

As mentioned in the announcement, dated 13th November, 2020, of the Company, the board of CNNC Leasing (an associate of the Company, the equity interest of which was then held as to approximately 18.45% by the Group) had approved to enter into an absorption and merger agreement (the "Merger Agreement") with China Nuclear E&C Financial Leasing Co., Ltd (中核建融資租賃有限公司) ("CNECFL") and the shareholders of CNECFL ("CNECFL Shareholders") in relation to the merger (the "Merger") of CNNC Leasing with CNECFL. Pursuant to the Merger: (i) CNNC Leasing absorbed and merged with CNECFL, and the assets, liabilities, businesses, employees, contracts and all other rights and obligations of CNECFL were succeeded and undertaken by CNNC Leasing; and (ii) CNNC Leasing allotted and issued RMB1,247,526,100 new registered capital (the "New Equity Interest") to the CNECFL Shareholders, representing approximately 38.41% of the registered capital of RMB3,247,536,100 of CNNC Leasing (as enlarged by the New Equity Interest). The Merger provided an enlarged capital base for CNNC Leasing to expand its business. With the public utilities projects of CNECFL succeeded by CNNC Leasing, CNNC Leasing is expected to be able to diversify its business. The Group's interests in CNNC Leasing was reduced from approximately 18.45% to approximately 11.36% (as enlarged by the New Equity Interest). CNNC Leasing has 7 directors in total, of which one of the directors was nominated by the Group. CNNC Leasing remains to be recognised as an associate of the Group, and hence, according to the accounting policy of the Group, the Group will continue to share the profit or loss and other comprehensive income of CNNC Leasing.

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.

The Group will continue to negotiate with the Mongolian Government for the setting up of a joint venture company for the project. The Group will endeavour to expedite the process although 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 until the third quarter of 2021.

For the Mongolian Mining Project, the Group filed the lawsuit in January 2020 but was unsuccessful. For further details, please refer to the sub-section headed "Market and Business Overview" above. The Group would continue to closely monitor the progress and will make further announcement(s) as and when appropriate to inform its shareholders and potential investors if there is any significant development in respect of the case.

The Group aims to expand and diversify its business by leveraging on the strengths of CNNC, in the field of nuclear energy, to develop projects with reasonable returns and continues to explore other possible investment opportunities.

Employees and Remuneration Policies

As at 31st December, 2020, the Group employed 23 (2019 Year: 22) full-time employees of whom 5 (2019 Year: 4) were based in Hong Kong, 14 (2019 Year: 14) were based in the PRC and 4 (2019 Year: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK$16,223,000 (2019 Year: approximately HK$11,746,000).

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$41,628,000 (2019 Year: net cash outflow of approximately HK$76,123,000) during the Year, which was mainly due to the cash dividend received, net of the PRC withholding tax, from an associate of approximately HK$23,300,000 (2019 Year: nil), combined with a release of restricted cash of approximately HK$13,571,000 (2019 Year: a placement of restricted cash of approximately HK$19,004,000) in relation to a decrease in the balance of the restricted cash required by various banks for bank facilities and bills payable. During the Year, the Group has continued to engage in the business activities of trading natural uranium, however, the management decided to cease Electronic Products Business and Dispersed Metals Business in 2020 and had the last transactions completed in 2020.

At 31st December, 2020, the Group had net current liabilities amounting to approximately HK$124,700,000 (at 31st December, 2019: approximately HK$100,080,000) and the current liabilities amounted to approximately HK$308,787,000 (at 31st December, 2019: approximately HK$811,994,000). During the Year, the Group has continued to engage in the business activities of trading in natural uranium, as well as trading in electronic products and dispersed metals (all trading of electronic products and dispersed metals had ceased by the end of the Year). As at 31st December, 2020, the Group had trade receivables of approximately HK$29,305,000 (at 31st December, 2019: approximately HK$247,843,000) and no trade payable (at 31st December, 2019: approximately HK$153,398,000). Capital expenditures on property, plant and equipment were approximated HK$280,000 during the Year (2019 Year: approximately HK$170,000).

During the Year, the Group did not have any capital expenditures on exploration and evaluation assets (2019 Year: Nil). The Group did not have any commitment to purchase additional property, plant and equipment that had been contracted for but not provided in the consolidated financial statements as at 31st December, 2020 (at 31st December, 2019: Nil).

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.

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 at 17th June, 2022, CNNC, as the ultimate controlling shareholder (has the meaning ascribed to it under the Listing Rules) of the Company, holds an indirect interest in approximately 66.72% of the issued share capital of the Company, and hence CNNCTM, being a subsidiary of CNNC, is a connected person of the Company pursuant to the Listing Rules. 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. As such, the Trade Loan would be 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.

During the Year, net cash inflow from operating activities amounted to approximately HK$277,955,000 (2019 Year: net cash outflow approximately HK$155,268,000) mainly due to decrease in inventories and trade receivables. The Group's cash on hand and bank balances increased from approximately HK$100,543,000 as at 31st December, 2019 to approximately HK$144,333,000 as at 31st December, 2020. The Group also had restricted cash of approximately HK$5,433,000 (31st December, 2019: approximately HK$19,004,000) as at 31st December, 2020 which was pledged to various banks for bank facilities.

Total shareholders' funds decreased from approximately HK$334,922,000 as at 31st December, 2019 to approximately HK$309,067,000 as at 31st December, 2020, mainly due to the total comprehensive expense during the Year. The gearing ratio, in terms of total debts to total assets, decreased to 0.50 as at 31st December, 2020 (at 31st December, 2019: 0.71).

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's income, expenditure for operation, investment, and borrowings are mainly denominated in USD, HKD, Mongolian Tugrigs and RMB. Fluctuations of the exchange rates of Mongolian Tugrigs and RMB against foreign currencies could affect the operating costs of the Group. Currencies other than Mongolian Tugrigs and RMB were relatively stable during the Year, the Group did not expose to significant foreign exchange risk. The Group currently does not have a foreign currency hedging policy for hedging significant foreign currency exposure.

Capital Structure

There has been no significant change in the capital structure of the Group since 31st December, 2019.

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 approximately 11.36% investment in CNNC Leasing ("Investment Interest"), the following was charged on the Group: (i) the Investment Interest; (ii) the 100% share capital in CNNC International (HK) Limited ("CNNC (HK)") (a wholly owned subsidiary of the Company and the holder of the Investment Interest); (iii) the dividend payment of CNNC Leasing; and (iv) certain bank account(s) of CNNC (HK). As security for banking facilities granted to the Group for its trading operation, certain bank account(s) of China Nuclear International Corporation ("CNIC"), a wholly owned subsidiary of the Company, was charged. Apart from the above, there was no charge on the Group's assets during the Year (2019 Year: apart from the shares in Somina, Investment Interest, CNNC (HK), dividend payment of CNNC Leasing, and certain bank account(s) of CNNC (HK), and certain bank account(s) of CNIC, 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 shares.

IMPORTANT EVENTS AFTER THE YEAR

Please refer to the above section of "FUTURE STRATEGIES". The FA was signed between the Company and CNUC Group and the Continuing Connected Transactions have been approved by the independent shareholders of the Company at the extraordinary general meeting of the Company on 23rd June, 2022, with a delivery of approximately 533,000 pounds of uranium products was made on 1st July, 2022.

Please refer also the above section of "LIQUIDITY AND FINANCIAL RESOURCES", on 17th June, 2022, CNNCTM entered into 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 to the Company.

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

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Final Results Announcement published on 31st March, 2021 was neither audited nor agreed with the Auditor, and subsequent adjustments have been made to such information. Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited final results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**(As set out in the Unaudited Final Results Announcement) 31st December, 2020** *HK$'000* (Unaudited)	**Adjustments** *HK'000*	**31st December, 2020** *HK$'000* (Audited)
Revenue	1)	1,648,233	14,237	1,662,470
Cost of sales	2)	(1,623,783)	(52,409)	(1,676,192)
Gross (loss) profit		24,450	(38,172)	(13,722)
Other income and gains and losses		5,593	(928)	4,665
Gain on deemed disposal of interest in an associate	3)	—	24,999	24,999
Net exchange gains		273	17	290
Selling and distribution expenses		(4,221)	(242)	(4,463)
Administrative expenses		(21,644)	(70)	(21,714)
Impairment loss on inventories	2)	(52,409)	52,409	—
Impairment loss on property, plant and equipment	4)	(1,369)	(10,090)	(11,459)
Share of result of an associate	5)	(18,446)	14,306	(4,140)
Finance costs		(16,691)	(2)	(16,693)
Loss before tax		(84,464)	42,227	(42,237)
Income tax expenses		(3,860)	—	(3,860)
Loss for the year		(88,324)	42,227	(46,097)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Share of exchange difference of an associate	5)	23,533	(1,105)	22,428
Exchange differences arising on translation to foreign operations		3,460	427	3,887
Release of translation reserve upon deemed disposal of an associate	3)	—	(6,073)	(6,073)
Other comprehensive income for the year		26,993	(6,751)	20,242
Total comprehensive expense for the year attributable to owners of the Company		(61,331)	35,476	(25,855)
Basic and diluted loss per share		(18.1) cents	8.7 cents	(9.4) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(As set out in the Unaudited Final Results Announcement) 31st December, 2020**	**Adjustments**	**31st December, 2020**
		HK$'000	*HK'000*	*HK$'000*
		(Unaudited)		(Audited)
Non-current assets				
Property, plant and equipment	4)	10,166	(10,015)	151
Interests in associates	3), 5)	401,267	32,127	433,394
Current assets				
Inventories		3,417	386	3,803
Trade and other receivables and prepayments		30,763	(417)	30,346
Prepaid tax		—	172	172
Bank balances and cash		144,354	(21)	144,333
Current liabilities				
Other payables and accruals		(21,620)	28	(21,592)
Contract liabilities	1)	(13,388)	13,388	—
Income tax payable		(661)	(172)	(833)
Net current liabilities		(138,064)	13,364	(124,700)
Total assets less current liabilities		273,591	35,476	309,067
Net assets		273,591	35,476	309,067
Share premium and reserves		268,699	35,476	304,175

Notes:

1) The difference is mainly due to the recognition of the forfeited customer deposits of approximately HK$13,388,000 as revenue for the year.

2) The difference was mainly due to a write-down of inventories related to the supply chain business of approximately HK$52,409,000 reclassified to "Cost of sales" from "Impairment loss on inventories".

3) A gain on deemed disposal of HK$24,999,000 arose from the equity interest of an associate held by the Group being diluted from 18.45% to 11.36% upon the completion of the Merger.

4) Upon the finalisation of valuation from the independent valuer, the property, plant and equipment in relation to the Group's projects in Mongolia was fully impaired during the Year, with consideration being taken on the initiation of the lawsuit in Mongolia in the 2019 Year.

5) Compared with share of loss of an associate amounted to HK$18,446,000 as recorded in the unaudited result announcement on 31st March, 2021, the adjustments mainly arose from updates on general accepted accounting principles adjustments relating to adoption of

   a) Reversal of allowance of expected credit loss on lease receivables of approximately HK$14,306,000 after taking into account the finalised valuation from the independent valuer.

   b) Exchange loss of HK$1,105,000 recorded in other comprehensive expense on translation of share of result of an associate arose from depreciation of RMB against HKD during the Year.

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, 2020 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 9th September, 2022. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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 system, internal control procedures and risk management and maintaining good and independent communications with the management as well as external auditors of the Company.

The Audit Committee comprises three independent non-executive directors namely Mr. Chan Yee Hoi (Chairman of the Audit Committee), Mr. Cui Liguo and Mr. Zhang Lei and one non-executive director namely Mr. Wu Ge.

The Group's consolidated financial statements for the year ended 31st December, 2020 have been audited by the Auditor, Messrs. BDO Limited, who has issued a disclaimer of opinion.

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 the directors of the Company. The remuneration committee comprises three independent non-executive directors namely Mr. Cui Liguo (Chairman of the remuneration committee), Mr. Zhang Lei and Mr. Chan Yee Hoi, one executive director namely Mr. Zhang Yi and one non-executive director namely Mr. Wu Ge.

NOMINATION COMMITTEE

In accordance with the requirements of the CG Code, a nomination committee has been established by the Company to review the structure, size and composition of the Board and identify individuals suitably qualified to become Board members. The nomination committee comprises one non-executive director namely Mr. Zhong Jie (Chairman of the Board and the nomination committee), one executive director namely Mr. Zhang Yi and three independent non-executive directors namely Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi.

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, 2020 containing all the information required by Appendix 16 of 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.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD ON THE AUDITOR'S OPINION

As set out in the Company's announcement dated 15th August, 2022 in relation to the major findings of investigative works (the "Major Findings Announcement"), a series of investigative works (the "Investigative Works") have been performed by the Company with the assistance of various professional advisers to, amongst others, identify the root cause(s) leading to the Problematic Purchases, and identify whether staff misconduct or transfer of benefits existed (collectively, the "Issues"). Based on the findings from the Investigative Works, the Audit Committee and the Board are of the view that (i) there were significant internal control weaknesses, in terms of both the control environment and the implementation, concerning the Electronic Products Business; (ii) there were obvious downplaying (and at times disregard) on risk management and lack of due care and skills involved on the part of the team of personnel responsible for the executive and decision-making functions of the Electronic Products Business (the "Operation Team"); and (iii) the combination of system and human factors was the principal root causes leading to the Problematic Purchases, which together contributed to the failure on the part of the Company to detect and identify the Problematic Purchases, and ultimately led to the happening of the Problematic Purchases and the involvement of the Company in transactions that were of doubtful commercial substance.

In addition, (i) all transactions of the Electronic Products Business were ceased during the year of 2020 with outstanding accounts receivable collected by the subsequent year of 2021; (ii) the relevant personnel principally responsible for the Electronic Products Business at the relevant time, being the Operation Team, has either been resigned or removed from all positions of the Group; and (iii) an internal control review, with a view to, amongst others, assessing and identifying significant weaknesses in the relevant procedures, systems and controls of the Group in relation to its existing business operations, have been carried out, and the internal control deficiencies identified therein have been rectified, with enhancement measures taken to improve the internal control environment.

Accordingly, the Audit Committee and the Board are of the view that (i) having taken into account the practical limitations not controllable by the Company (e.g., the time lapse since the occurrence of the Problematic Purchases, the uncooperative customers and suppliers) encountered, the Investigative Works represented a best-effort attempt, having carried out appropriate and reasonably practicable procedures and having the full support and cooperation by the Company, and has investigated into and addressed the Issues to the extent possible and practicable; (ii) the Company has sufficiently rectified the root causes leading to the Problematic Purchases to the extent possible, and is satisfied that there exists sufficient safeguards and measures to avoid events similar to the Problematic Purchases from happening again in the continuing business(es) of the Group; (iii) no material adverse impact has been brought by the Problematic Purchases onto the continuing business operation of the Company; and (iv) other than the inventory write-down (previously referred to as "impairment loss of inventory") arising from the Problematic Purchases, which was one-off in nature, no material adverse impact has been brought by the Problematic Purchases onto the financial position of the Company.

Having taken into account the abovementioned factors into consideration, the Audit Committee and the Board consider that the Company has fully cooperated with the Auditor and has made its best efforts to obtain and provide all available audit evidence (including, but without limitation, the findings and resultant reports of the Investigative Works and unfettered access to the contemporary records and documents possessed by the Company) to the Auditor. However, due to certain limitations encountered by the Investigative Works (as further detailed in the Major Findings Announcement) and circumstances beyond the control of the Company, such available audit evidence were deemed insufficient to attain the level of assurance to the Auditor's satisfaction in its view, which led to the Auditor's disclaimer of opinion disclosed herein.

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
Zhong Jie
Chairman

Hong Kong, 9th September, 2022

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