CNNC INTERNATIONAL LIMITED
中核國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

The Board of Directors (the "Board") of CNNC International Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2010 (the "period"), together with comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th June, 2010

		Six months ended 30th June,	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**80,458**	54,769
Cost of sales		**(70,837)**	(59,149)
Gross profit (loss)		**9,621**	(4,380)
Other income		**1,199**	3,049
Selling and distribution costs		**(2,963)**	(2,441)
Administrative and other expenses		**(23,815)**	(11,515)
Finance costs	4	**(12,793)**	(4,791)
Loss before taxation		**(28,751)**	(20,078)
Income tax credit (expense)	5	**446**	(18)
Loss for the period, attributable to owners of the Company	6	**(28,305)**	(20,096)
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**474**	(147)
Total comprehensive expense for the period, attributable to owners of the Company		**(27,831)**	(20,243)
Basic and diluted loss per share	8	**(HK6.6 cents)**	(HK5.3 cents)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	NOTES	30th June, 2010 HK$'000 (unaudited)	31st December, 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**138,256**	143,557
Exploration and evaluation assets	10	**170,738**	165,568
Prepaid lease payments		**5,821**	5,887
Interest in an associate	11	**464,079**	—
Deposits paid on acquisition of property, plant and equipment		**567**	519
		779,461	315,531
Current assets			
Inventories		**27,179**	24,002
Trade and other receivables and prepayments	12	**47,372**	47,304
Prepaid lease payments		**133**	133
Investments held for trading		**278**	322
Bank balances and cash		**589,560**	607,626
		664,522	679,387
Current liabilities			
Trade and other payables and accruals	13	**29,790**	28,371
Taxation payable		**—**	46
Unsecured bank loan	14	**16,000**	16,000
		45,790	44,417
Net current assets		**618,732**	634,970
Total assets less current liabilities		**1,398,193**	950,501
Non-current liabilities			
Convertible notes	15	**443,062**	90,279
Deferred tax liability	16	**14,008**	2,627
		457,070	92,906
Net assets		**941,123**	857,595
Capital and Reserves			
Share capital	17	**4,292**	4,292
Reserves		**936,831**	853,303
Equity attributable to owners of the Company		**941,123**	857,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009 except for as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combination and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the Group has applied the consequential amendment to HKAS 28 to account for the acquisition of 37.2% equity interest in Société des Mines d'Azelik S.A. ("SOMINA") (see note 18). The application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKFRS 17 Lease

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is whether or not substantially risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of this amendment has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

In addition, the following accounting policies were adopted in current period.

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations") or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 "Financial Instruments: Recognition and Measurement". Under the equity method, investments in associates are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

The directors of the Company anticipate that the application of new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, i.e. the Group's Executive Directors, for the purposes of resource allocation and performance assessment are as follows:

- Exploration and development of mineral properties — exploration of uranium and coal
- Manufacture and distribution of die casting parts — manufacture and distribution of aluminium, zinc and magnesium die casting parts

The following is an analysis for the Group's revenue and results by operating segment for the periods under review:

Six months ended 30th June, 2010

	Exploration and development of mineral properties *HK$'000*	**Manufacture and distribution of die casting parts** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**—**	**80,458**	**80,458**
RESULTS			
Segment loss	**(4,716)**	**(537)**	**(5,253)**
Central administration costs			**(10,705)**
Finance costs			**(12,793)**
Loss before taxation			**(28,751)**

Six months ended 30th June, 2009

	Exploration and development of mineral properties *HK$'000*	Manufacture and distribution of die casting parts *HK$'000*	Consolidated *HK$'000*
REVENUE	—	54,769	54,769
RESULTS			
Segment loss	—	(15,334)	(15,334)
Change in fair value of investments held for trading			205
Interest income			419
The People's Republic of China ("PRC") tax refund on capital investment in a subsidiary			2,214
Central administration costs			(2,791)
Finance costs			(4,791)
Loss before taxation			(20,078)

Segment loss represents the loss incurred by each segment without allocation of central administrative costs, finance costs, change in fair value of investments held for trading, interest income and PRC tax refund on capital investment in a subsidiary. This is the measure reported to the Group's Executive Directors for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within one year	**44**	55
Effective interest expenses on convertible notes	**12,749**	4,736
	12,793	4,791

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**—**	—
Other jurisdictions	**156**	18
	156	18
Deferred taxation		
Current period	**(602)**	—
	(446)	18

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. LOSS FOR THE PERIOD

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**7,894**	8,346
Release of prepaid lease payments	**66**	66
Change in fair value of investments held for trading	**44**	(205)

7. DIVIDENDS

No dividends were paid, declared or proposed for both reported periods. The directors do not recommend the payment of an interim dividend.

8. BASIC AND DILUTED LOSS PER SHARE

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

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(28,305)**	(20,096)

	Six months ended 30th June,	
	2010	2009
	'000	*'000*
Number of ordinary shares for the purposes of basic and diluted loss per share	**429,168**	379,168

Diluted loss per share for the period ended 30th June, 2010 does not assume the conversion of convertible notes as it would result in a decrease in loss per share.

Diluted loss per share for the period ended 30th June, 2009 does not assume the conversion of convertible note and the exercise of outstanding share options of a subsidiary as it would result in a decrease in loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$3,338,000 (six months ended 30th June, 2009: HK$1,564,000) on acquisition of property, plant and equipment in order to upgrade its manufacturing capabilities.

10. EXPLORATION AND EVALUATION ASSETS

The Group's uranium exploration licenses were temporarily suspended in April 2009 and July 2009 due to the purported non-compliance with Law on Minerals, Land Law and Law on Radiation Safety of Mongolia and purported breaches of various laws of Mongolia respectively, reported by the inspector of the Mineral Resources Authority of Mongolia ("MRAM"). These suspensions were lifted in early July 2009 and November 2009 respectively, and the MRAM re-registered all such uranium exploration licenses on 12th November, 2009. Details of these are set out in the Group's announcements dated 27th July, 2009, 21st August, 2009, 13th November, 2009 and 29th December, 2009.

On 15th August, 2009, the Mongolian's Law on Nuclear Energy and Mongolia's Law on implementing procedures of the Law on Nuclear Energy (collectively, the "New Laws") have come into force. Under the New Laws, the People of Mongolia (the "State") has the right to take ownership without payment of either not less than 51% of the shares of the Group's Mongolia subsidiary if the State funding was used to determine resource during exploration, or not less than 34% if State funding was not used to determine the resource during exploration.

Based on management's discussions with the relevant Mongolian authorities and the advice from its Mongolian legal advisers, following the re-registration of the uranium exploration licenses, the license holders will have the right to apply for mining licenses to mine or extract the resources identified in the relevant areas covered by the exploration licenses once consensus is reached between the Group and the relevant Mongolian authorities in respect of the implementation of various provisions under the New Laws.

As at 30th June, 2010, the implementation of various provisions of the New Laws remains unclear. After taking into consideration of legal advice and discounted cash flow analysis, in the opinion of the directors, the outcome cannot be reasonably determined. However, the directors are confident that the Group's interest in the exploration and evaluation assets will not be materially affected.

11. INTEREST IN AN ASSOCIATE

On 25th March, 2010, the Group acquired a 37.2% equity interest in SOMINA, through the acquisition of a subsidiary known as Ideal Mining Limited ("Ideal Mining"). Details of the acquisition and particulars of the associate set out in note 18.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group generally allows credit periods ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date (net of allowance for doubtful debts) at the end of the reporting periods:

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**14,156**	12,179
31 to 60 days	**13,230**	12,613
61 to 90 days	**8,396**	9,818
91 to 120 days	**1,855**	2,684
Over 120 days	**3,049**	1,520
	40,686	38,814
Other receivables		
Deposits paid	**2,216**	3,316
Others	**2,813**	3,002
	5,029	6,318
Prepayments	**1,657**	2,172
	47,372	47,304

13. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Trade payables		
0 to 30 days	**3,892**	6,294
31 to 60 days	**5,520**	298
61 to 90 days	**4,361**	63
91 to 120 days	**196**	15
Over 120 days	**796**	351
	14,765	7,021
Other payables		
Accruals	**5,075**	12,691
Other payables	**4,267**	6,454
Deposits received	**5,683**	2,205
	15,025	21,350
	29,790	28,371

14. UNSECURED BANK LOAN

The unsecured bank loan carries an effective interest rate of approximately 0.6% per annum (six months ended 30th June, 2009: 1.9%). The Group did not obtain any new bank loan during both periods.

15. CONVERTIBLE NOTES

On 5th November, 2008, the Company issued a 2% unsecured convertible note to the immediate holding company of the Company, CNNC Overseas Uranium Holding Limited ("CNNC Overseas"), with a principal amount of US$13,702,000 ("CN 2008"). The fixed note interest of US$68,512 will be settled quarterly. CN 2008 entitles CNNC Overseas to convert it, in whole or in part of the principal amount, into ordinary shares of the Company at any time prior to seven business days preceding the maturity date on 4th November, 2011, at the conversion price of US$0.23 per share, subject to anti-dilutive adjustments. If CN 2008 has not been converted, it will be redeemed at par on 4th November, 2011. The effective interest rate of the liability component of CN 2008 is 11.58%.

On 25th March, 2010, the Group issued another 2% unsecured convertible note to CNNC Overseas with a principal amount of US$53,281,853 ("CN 2010") in connection with the acquisition of Ideal Mining as set out in note 18. CN 2010 entitles CNNC Overseas to convert it, in whole or in part of the principal amount, into ordinary shares of the Company at any time prior to seven business days preceding the maturity date on 24th March, 2013, at the conversion price of HK$9.50 per share, subject to anti-dilutive adjustments. The number of shares to be issued upon conversion is determined by dividing the principal amount of CN2010 to be converted (translated into HK$ at a fixed rate of HK$7.77 to US$1.00) by the conversion price of HK$9.50, subject to anti-dilutive adjustments. If CN 2010 has not been converted, it will be redeemed at par on 24th March, 2013. At initial recognition, the fair value of CN 2010 is estimated to be HK$413,356,000, including the liability component of HK$340,737,000 at an effective interest rate of 8.80% and the conversion option amounted to HK$72,619,000 was credited to convertible notes equity reserve.

The movement of the liability component of CN 2008 and CN 2010 is set out as below:

	CN 2008 *HK$'000*	**CN 2010** *HK$'000*	**Total** *HK$'000*
At 1st January, 2009	83,284	—	83,284
Interest charge	9,473	—	9,473
Interest paid	(2,478)	—	(2,478)
At 31st December, 2009	90,279	—	90,279
Issued during the period	—	340,737	340,737
Interest charge	4,698	8,051	12,749
Interest paid	(703)	—	(703)
At 30th June, 2010	94,274	348,788	443,062

16. DEFERRED TAX LIABILITY

The following are the major deferred tax liability recognised and movements thereon during the current and prior periods:

	Convertible note *HK$'000*
At 1st January, 2009	4,025
Credited to profit or loss	(1,398)
At 31st December, 2009	2,627
Credited to profit or loss	(602)
Charged to equity	11,983
At 30th June, 2010	14,008

17. SHARE CAPITAL

	Number of ordinary shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2009 and 30th June, 2009	379,168	3,792
Issue of new shares	50,000	500
At 31st December, 2009 and 30th June, 2010	429,168	4,292

18. ACQUISITION OF A SUBSIDIARY

On 23rd January, 2010, a directly wholly-owned subsidiary of the Company and CNNC Overseas entered into a sale and purchase agreement pursuant to which CNNC Overseas agreed to sell its entire 100% equity interest in Ideal Mining, an investment holding company incorporated in the British Virgin Islands, to the wholly-owned subsidiary of the Company at a consideration to be satisfied through issuance of CN 2010 to CNNC Overseas with a principal amount of US$53,281,853. The principal asset of Ideal Mining is a 37.2% equity interest in SOMINA, a company incorporated in Niger with limited liability, which is the registered holder of the mining license for a uranium mine located in the Agadez region of the Tchirozérine department of Niger. Details of the transaction are set out in the Company's circular dated 4th March, 2010.

Ideal Mining is inactive and SOMINA has not commenced commercial production of the mine. The Company acquired Ideal Mining from its immediate holding company, CNNC Overseas, at a consideration which is about 90% of the fair value of the net assets acquired. The difference between the fair value of the consideration paid and the fair value of net assets acquired is deemed as capital contribution from CNNC Overseas, which is credited directly to the capital reserve in the equity. The transaction was completed on 25th March, 2010.

	HK$'000
Consideration transferred at fair value	
Issuance of CN 2010	413,356

Asset recognised at the date of acquisition

	Fair value
	HK$'000
Interest in an associate acquired	464,079
Deemed contribution from immediate holding company	(50,723)
	413,356

19. CAPITAL COMMITMENTS

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
Authorised but not contracted for in the condensed consolidated financial statements	**1,004**	1,173
Contracted for but not provided in the condensed consolidated financial statements	**16,835**	16,779
	17,839	17,952

20. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for rented premises which fall due as follows:

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Within one year	**4,832**	4,855
In the second to fifth year inclusive	**4,210**	5,095
	9,042	9,950

Operating lease payments represent rentals payable by the Group for certain of its office premises and factory land and buildings. The average lease term is 3 years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

21. RELATED PARTY TRANSACTIONS

(i) Remuneration of directors and other members of key management

The remuneration of directors and other members of key management during the period are as follows:

	Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**5,551**	4,570
Post-employment benefits	**53**	29
	5,604	4,599

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

On 3rd December, 2008, Mr. Tsang Chiu Wai and Mr. Kong Cheuk Luen Trevor, former directors and existing shareholders of the Company, had entered into new service agreements with the Company for two years until 3rd December, 2010. Pursuant to the agreed terms of the service agreements, each of Mr. Tsang and Mr. Kong shall be entitled to a fixed salary of HK$3,500,000 per annum plus potential 15% profit bonus and 5% discretionary profit bonus. It is also a term of the service agreements that both Mr. Tsang and Mr. Kong shall guarantee on United Non-Ferrous (Overseas) Limited, a wholly-owned subsidiary of the Company, and its subsidiaries' consolidated net asset value of not less than the sum of HK$189,674,000 as at 3rd December, 2010. Otherwise, each of Mr. Tsang and Mr. Kong shall be liable to pay half of such shortfall to the Group.

(ii) Transactions and balances with other state-controlled entities in the PRC

The Group itself is part of a larger group of companies under China National Nuclear Corporation which is controlled by the PRC government. Except for the acquisition of Ideal Mining from, and issuance of CN 2010 to, CNNC Overseas as set out in notes 18 and 15 respectively, the Group has incurred interest expense in relation to CN 2008 and CN 2010 of approximately HK$12,749,000 (six months ended 30th June, 2009: HK$4,736,000) to CNNC Overseas during the period. In addition, the Group has entered into various transactions, including deposits placements with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

22. MAJOR NON-CASH TRANSACTION

The acquisition of Ideal Mining as set out in note 18 was satisfied through the issuance of convertible notes, which is a non-cash transaction.

MANAGEMENT DISCUSSION & ANALYSIS

Market overview

The Group is actively identifying and developing its overseas uranium leveraging business to supply nuclear power generation projects that are rapidly expanding in China. In response to global environmental protection measures, countries are striving in unison to develop clean energy projects, of which nuclear power is the most cost-effective energy source. This presents an excellent investment opportunity in uranium resources, as the market price of uranium, which is expected to surge in tandem with the increase in the number of nuclear power plants worldwide, remains at its current low level. For the six months ended 30th June, 2010 ("the Period"), having succumbed to the downturns of the overseas automotive and construction industries in 2008 and 2009, the die casting market revived at the beginning of 2010 as orders were creeping back to the pre financial tsunami level in view of the reversal of customers' prudent buying attitude to hoarding reserves.

Business review

On 25th March, 2010, the Group was successful in its acquisition of 37.2% equity interests in Société des Mines d'Azelik S.A. ("SOMINA") from its controlling shareholder, CNNC Overseas Uranium Holding Limited. SOMINA, a company incorporated in Niger, Africa with limited liability, is the registered holder of a mining license for a uranium ore mine located in the Agadez region of the Tchirozerine department of Niger. With exploration work finished, the construction of the said uranium mine, with an estimated resource of around 11,200 tonnes of uranium, is expected to be completed for production commencing 2011 at an estimated annual production capacity of around 700 tonnes of uranium upon full operation. The full consideration of HK$414 million was satisfied by the issue of the three-year 2% convertible note of the Company.

The operating results of the Group for the Period were primarily derived from the die casting business. Driven by robust domestic consumption and buoyant overseas orders, the die casting department strived to expand its market coverage. Turnover for the Period rebounded significantly by approximately 46.9% to approximately HK$80,458,000 (six months ended 30th June, 2009: approximately HK$54,769,000). The Group was committed to cost control by optimising processes, cutting expenses and switching resources to products with higher gross profit. Gross margin reversed from approximately 8.0% gross loss for the corresponding period of last year to approximately 12.0% gross profit for the Period despite raw material price hikes, domestic labour shortages and wages surges.

Other income for the Period fell by approximately 60.7% to approximately HK$1,199,000 (for the six months ended 30th June, 2009: approximately HK$3,049,000) in the absence of tax refunds for the Period. Selling and distribution expenses increased by approximately 21.4% to approximately HK$2,963,000 (for the six months ended 30th June, 2009: approximately HK$2,441,000) in line with the increase in turnover.

In June 2009, the Group acquired its subsidiary, Western Prospector Group Ltd. ("Western Prospector"), a company then listed in Canada, which holds uranium exploration licenses in Mongolia. Administrative and other expenses for the Period rose by approximately 106.8% to approximately HK$23,815,000 (for the six months ended 30th June, 2009: approximately HK$11,515,000) which was primarily attributable to the administrative expenses of Western Prospector and the service fees of intermediaries and professionals in respect of the acquisition of SOMINA.

The above-mentioned convertible note issued to CNNC Overseas on 25th March, 2010 were appraised to have an effective interest rate of 8.80% per annum. While no interest was payable in respect of the portion of effective interest rate in excess of the annual coupon rate, the amount in respect of such portion was required to be charged to the income statement and be reversed and credited to reserves upon redemption under Hong Kong Accounting Standards. As a result, the finance cost for the Period increased by approximately 167.0% to approximately HK$12,793,000 (for the six months ended 30th June, 2009: approximately HK$4,791,000).

Summing up the combined effects of the foregoing, loss after taxation for the Period amounted to approximately HK$28,305,000 (six months ended 30th June, 2009: loss of approximately HK$20,960,000).

Future strategy and outlook

The Group is primarily focused on developing overseas uranium resources segment, while keeping its existing die casting segment. The two existing uranium projects, one in Mongolia and another one with 37.2% ownership in Niger, held by the Group are in their initial stages, through which the uranium segment is destined to endow shareholders with substantial returns upon maturity. The Group will continue to identify uranium resources leveraging projects and engage in uranium products trading business when good opportunity arises to reward shareholders. In respect of the die casting business, significant improvements were made during the Period. With steady increases in sale orders in the second half of the year, substantial improvement in performance is expected in the second half so long as efficiency continues to pick up to relieve labour shortages.

Human Resources Management

As at 30th June, 2010, the Group employed approximately 1,410 fulltime employees. The Group's remuneration package is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

Liquidity and Financial Resources

The Group recorded a net cash outflow of approximately HK$18,064,000 during the six months ended 30th June, 2010, which was mainly for operation purpose, resulting in cash-on-hand and bank balances of approximately HK$589,560,000 as at 30th June, 2010.

During the Period, stock turnover days increased to 70 days, compared with a yearly average of about 66 days for the previous year. Debtors' turnover days decreased from 104 days as at 31st December, 2009 to 92 days as at 30th June, 2010.

The Group's financial position remained healthy. During the Period, the Group issued convertible note to acquire SOMINA, as a result, the gearing ratio, which is represented by the ratio of total debts to total assets, increased to 0.35 (as at 31st December, 2009: 0.14).

The working capital of the Group was generally financed by internally generated cash flows from its operation and existing banking facilities. As at 30th June, 2010, the Group's cash-on-hand and bank balances amounted to approximately HK$589,560,000 (as at 31st December, 2009: HK$607,626,000) and unsecured bank loans which was due within one year amounted to approximately HK$16,000,000 (as at 31st December, 2009: HK$16,000,000). The Group's net current assets and current liabilities amounted to HK$618,732,000 (as at 31st December, 2009: HK$634,970,000) and HK$45,790,000 (as at 31st December, 2009: HK$44,417,000) respectively as at 30th June, 2010.

Total shareholders' funds increased from HK$857,595,000 as at 31st December, 2009 to HK$941,123,000 as at 30th June, 2010, as a combined result of the increase in convertible notes equity reserve arising from the issuance of CN 2010 for acquiring Ideal Mining, the contribution of capital reserve from holding company for the fair value of net assets acquired over the consideration and the recognised loss incurred for the Period.

Acquisitions and Disposals of Subsidiaries and Associated Companies

Save from the acquisition of Ideal Mining mentioned above, there were no material acquisitions and disposals of subsidiaries and associated companies for the Period.

Exposure to Foreign Exchange Risk

The Group's income, expenditure of raw materials, manufacturing, investment and borrowings are mainly denominated in USD, HKD and RMB. Fluctuations of the exchange rates of RMB against foreign currencies could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Period, the Group did not expose to significant foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, management will continue to monitor foreign exchange exposure and will take prudence measure to minimize the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

Capital Structure

Save from the issue of CN 2010, there has been no significant change in the capital structure of the Group since 31st December, 2009.

Charge on Assets

There was no charge on the Group's assets during the Period (six months ended 30th June, 2009: Nil).

Interim Dividend

The Board of Directors (the "Board") does not recommend the payment of an interim dividend for the Period (six months ended 30th June, 2009: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Code on Corporate Governance Practices

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 (the "Listing Rules") throughout the Period.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. The Company has received confirmation from all directors that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Period.

Audit Committee

An Audit Committee has been established by the Company for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises three independent non-executive directors namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei, and one non-executive director namely Mr. Huang Mingang. Mr. Cheong Ying Chew Henry is the Chairman of the Audit Committee. The Group's interim report for the Period as well as the accounting principles and practices have been reviewed by the Audit Committee and the independent auditor, Deloitte Touche Tohmatsu.

Remuneration Committee

In accordance with the requirements of the CG Code, a Remuneration Committee has been established by the Company to consider the remuneration of directors of the Company. The Remuneration Committee comprises three independent non-executive directors namely Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei, one executive director namely Mr. Han Ruiping and one non-executive director namely Mr. Huang Mingang. Mr. Han Ruiping is the Chairman of the Remuneration Committee.

Publication of Interim Report on the Website of The Stock Exchange

The interim report for the Period containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong Limited and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

Appreciation

The Board would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
CNNC International Limited
中核國際有限公司*
Chairman
Qiu Jiangang

Hong Kong, 31st August, 2010

As of the date of this announcement, the Board comprises non-executive director and chairman, namely Mr. Qiu Jiangang, executive directors, namely, Mr. Han Ruiping and Mr. Xu Hongchao, non-executive director, namely, Mr. Huang Mingang and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei.

* *For identification purpose only*