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, 2010

The Board of Directors (the "Board") of CNNC International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2010 (the "Year Under Review") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31st December,	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**168,048**	136,571
Cost of sales		**(149,228)**	(132,928)
Gross profit		**18,820**	3,643
Other income and gains	*4*	**12,323**	6,709
Selling and distribution expenses		**(5,088)**	(5,396)
Administrative and other expenses		**(43,608)**	(37,038)
Share of loss of an associate		**(8,937)**	—
Finance costs	*5*	**(36,366)**	(9,573)
Loss before taxation	*6*	**(62,856)**	(41,655)
Income tax credit	*7*	**7,777**	1,265
Loss for the year		**(55,079)**	(40,390)
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**6,216**	1,237
Total comprehensive expense for the year, attributable to owners of the Company		**(48,863)**	(39,153)
Basic and diluted loss per share	*8*	**(HK12.8 cents)**	(HK10.1 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**107,855**	143,557
Exploration and evaluation assets		**184,598**	165,568
Prepaid lease payments		**—**	5,887
Interest in an associate		**455,142**	—
Deposits paid on acquisition of property, plant and equipment		**875**	519
		748,470	315,531
Current assets			
Inventories		**309,232**	24,002
Trade and other receivables and prepayments	*9*	**44,778**	47,304
Prepaid lease payments		**—**	133
Amounts due from shareholders		**30,748**	—
Investments held for trading		**367**	322
Bank balances and cash		**306,797**	607,626
		691,922	679,387
Assets classified as held for sale		**31,891**	—
		723,813	679,387
Current liabilities			
Trade and other payables and accruals	*10*	**33,669**	28,371
Taxation payable		**181**	46
Convertible notes		**99,338**	—
Unsecured bank loan		**16,000**	16,000
		149,188	44,417
Net current assets		**574,625**	634,970
Total assets less current liabilities		**1,323,095**	950,501
Non-current liabilities			
Convertible notes		**365,819**	90,279
Deferred tax liabilities		**6,437**	2,627
		372,256	92,906
Net assets		**950,839**	857,595
Capital and reserves			
Share capital		**4,292**	4,292
Reserves		**946,547**	853,303
Equity attributable to owners of the Company		**950,839**	857,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given on exchange of goods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the consolidated financial statements.

Amendments to HKAS 7 Statement of Cash Flows
(as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments shall be classified as cash flows from financing activities.

Accordingly, acquisition of additional interests in a subsidiary of HK$63,071,000 paid in 2009 has been reclassified from investing to financing activities in the consolidated statement of cash flows.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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 July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st February, 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013. Based on the Group's financial assets and financial liabilities as at 31st December, 2010, the directors anticipate that the application of the new Standard is not expected to have material impact on the amounts reported in respect of the Groups' financial assets and financial liabilities.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's operating and reportable segments under HKFRS 8 are as follows:

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	2010			2009		
	Exploration and trading of mineral properties	**Manufacture and distribution of die casting parts**	**Total**	Exploration of mineral properties	Manufacture and distribution of die casting parts	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**—**	**168,048**	**168,048**	—	136,571	136,571
RESULTS						
Segment (loss) profit	**(28,022)**	**15,284**	**(12,738)**	(7,759)	(16,827)	(24,586)
Unallocated corporate administration costs			**(13,752)**			(7,496)
Finance costs			**(36,366)**			(9,573)
Loss before taxation			**(62,856)**			(41,655)

Segment (loss) profit represents the loss incurred or profit generated from each segment without allocation of corporate administration costs and finance costs. This is the measure reported to the chief operating decision maker 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 segment:

	2010			2009		
	Exploration and trading of mineral properties	**Manufacture and distribution of die casting parts**	**Total**	Exploration of mineral properties	Manufacture and distribution of die casting parts	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	**964,307**	**507,976**	**1,472,283**	211,916	783,002	994,918
LIABILITIES						
Segment liabilities	**375,547**	**45,427**	**420,974**	1,153	43,264	44,417
Unallocated liabilities			**100,470**			92,906
Consolidated liabilities			**521,444**			137,323

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

- all assets are allocated to reportable segments; and
- all liabilities are allocated to reportable segments other than the convertible note issued in 2008 and related deferred tax liabilities. The convertible note issued in 2010 was issued for acquisition of a subsidiary in the exploration and trading of mineral properties segment and was allocated to such segments.

Other segment information

	2010			2009		
	Exploration and trading of mineral properties	**Manufacture and distribution of die casting parts**	**Total**	Exploration of mineral properties	Manufacture and distribution of die casting parts	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results or segment assets:						
Addition to non-current assets	**30,519**	**2,711**	**33,230**	210,021	2,555	212,576
Depreciation and amortisation	**88**	**16,534**	**16,622**	73	16,323	16,396
Interest in an associate	**455,142**	**—**	**455,142**	—	—	—
Loss on write-off of property, plant and equipment	**—**	**—**	**—**	267	29	296

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010	2009
	HK$'000	HK$'000
Sale of aluminium die casting parts	**155,936**	127,942
Sale of zinc die casting parts	**10,726**	6,981
Sale of magnesium die casting parts	**1,386**	1,648
	168,048	136,571

Geographical information

The Group's operation is principally located in the PRC and People of Mongolia (country of domicile). The Group's revenue by geographical market based on destination of goods irrespective of locations of customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	**48,723**	36,535	**—**	—
The PRC (country of domicile)	**42,595**	23,399	**64,576**	107,515
Hong Kong	**18,444**	15,002	**700**	1,051
Germany	**18,144**	18,494	**—**	—
Italy	**11,042**	11,788	**—**	—
United Kingdom	**3,005**	6,875	**—**	—
Sweden	**3,389**	5,607	**—**	—
People of Mongolia (country of domicile)	**—**	—	**228,052**	206,965
Republic of Niger	**—**	—	**464,079**	—
Others	**22,706**	18,871	**—**	—
	168,048	136,571	**757,407**	315,531

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**32,630**	23,739
Customer B	**28,246**	19,112
Customer C	**—**	14,708
	60,876	57,559

All customers are related to manufacture and distribution of die casting parts segment.

Note: Only two major customers each contributed over 10% of the total sales during the year.

4. OTHER INCOME AND GAINS

	2010	2009
	HK$'000	*HK$'000*
Included in other income and gains are the following:		
Dividend income from investments held for trading	**8**	7
Fair value change on investments held for trading	**45**	115
Interest income	**2,540**	790
Net exchange gain	**3,925**	—
Government subsidy in the form of PRC tax refund on capital investment in a subsidiary	**—**	2,214
Insurance compensation received in respect of loss on damages to the factories caused by flooding in previous year	**3,100**	—

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on unsecured bank loans wholly repayable within one year	**101**	100
Effective interest expenses on convertible notes	**36,265**	9,473
	36,366	9,573

6. LOSS BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**3,488**	1,772
Other staff costs	**53,143**	41,213
Retirement benefit schemes contributions	**3,739**	3,166
Total staff costs	**60,370**	46,151
Depreciation of property, plant and equipment	**28,057**	19,138
Less: Amount capitalised in exploration and evaluation assets	**(11,435)**	(2,742)
	16,622	16,396
Amortisation of prepaid lease payments	**133**	133
Less: Amount capitalised in construction in progress	**(133)**	(133)
	—	—
Auditors' remuneration	**2,284**	1,670
Cost of inventories recognised as expense	**149,228**	132,928
Loss on write-off of property, plant and equipment	**—**	296
Net exchange loss	**—**	968
Operating lease charges on land and buildings	**6,161**	5,422

7. INCOME TAX CREDIT

	2010 HK$'000	2009 HK$'000
Current tax charge:		
PRC Enterprise Income Tax	**395**	133
Deferred tax credit	**(8,172)**	(1,398)
Taxation attributable to the Company and its subsidiaries	**(7,777)**	(1,265)

No provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group has no assessable profits or incurred tax losses for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the loss for the year of HK$55,079,000 (2009: HK$40,390,000) and 429,168,000 shares in issue during the year (2009: 401,771,000 weighted average number of shares in issue during the year).

The computation of diluted loss per share for both years does not assume the conversion of the Group's convertible notes as the conversion of the convertible notes would result in a decrease in loss per share.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**36,934**	38,814
Deposits paid	**2,689**	3,316
Other receivables	**3,170**	3,002
Prepayments	**1,985**	2,172
	44,778	47,304

The Group allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**15,671**	12,179
31 to 60 days	**11,616**	12,613
61 to 90 days	**7,044**	9,818
91 to 120 days	**1,326**	2,684
Over 120 days	**1,277**	1,520
	36,934	38,814

10. 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 period:

	2010	2009
	HK$'000	*HK$'000*
Trade payables		
0 to 30 days	**4,103**	6,294
31 to 60 days	**2,464**	298
61 to 90 days	**542**	63
91 to 120 days	**22**	15
Over 120 days	**174**	351
	7,305	7,021
Accruals	**13,574**	12,691
Other payables	**9,967**	6,454
Deposits received	**2,823**	2,205
	33,669	28,371

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In order to satisfy the burgeoning development of the nuclear power industry in the PRC, the Group is striving to identify and expand overseas uranium resources projects of premier quality. In line with the continual increases in the number of nuclear power plants planned and under construction, the international market prices of uranium have surged significantly in 2010. Demands for uranium resources as well as the prices of uranium are expected to sustain their growth in the long term.

During the Year Under Review, having overcame the adverse impacts of the overseas automobile and construction industries in 2008 and 2009, the die-casting market improved in line with the global economic recovery and coupled with the robust domestic automobile industry, die-casting orders resumed back to its pre-financial tsunami tracks.

Business Overview

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 immediate controlling shareholder, CNNC Overseas Uranium Holding Limited ("CNNC Overseas") through the acquisition of a subsidiary known as Ideal Mining Limited ("Ideal Mining"). 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. The full consideration of HK$414 million was satisfied by the issue of the three-year 2% convertible note of the Company. With exploration work finished, the first barrel of uranium concentrates was produced under trial run by the end of 2010. The full production is expected to commence in the second half of 2011. The Group has commenced uranium product trading during the Year. In September 2010, through a wholly owned subsidiary, the Group has acquired 300 tonnes of U3O8 products.

The operating results of the Group for the Year Under Review 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 Year Under Review rebounded significantly by approximately 23.0% to approximately HK$168,048,000 (2009: approximately HK$136,571,000). The Group was committed to cost control by optimising processes, automating procedures to cut expenses and switching resources to products with higher gross profit. Gross margin increased from approximately 2.7% for the corresponding period of last year to approximately 11.2% for the Year Under Review despite raw material price hikes, domestic labour shortages and wages surges.

Other income for the Year Under Review increased by approximately 83.7% to approximately HK$12,323,000 (2009: approximately HK$6,709,000) due to the exchange gains from the appreciation of Renminbi deposits and the receipt of insurance compensation for the claim of damages arising from flooding in 2008. Despite the increase in turnover during the Year Under Review, selling and distribution expenses fell by approximately 5.7% to approximately HK$5,088,000 (2009: approximately HK$5,396,000) as the Group has tightened control on the expenses.

In June 2009, the Group acquired its subsidiary, Western Prospector Group Ltd. ("Western Prospector"), a company then listed in Canada, which subsidiaries hold uranium exploration licenses in Mongolia. Administrative and other expenses for the Year Under Review rose by approximately 17.7% to approximately HK$43,608,000 (2009: approximately HK$37,038,000) which was primarily attributable to the consolidation of the whole year administrative expenses of Western Prospector and the service fees of intermediaries and professionals in respect of the acquisition of Ideal Mining.

During the Year Under Review, share of loss of an associate of approximately HK$8,937,000 (2009: nil) was related to the equity share of loss of SOMINA since the Group acquired Ideal Mining until the end of the year.

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 Year Under Review increased by approximately 279.9% to approximately HK$36,366,000 (2009: approximately HK$9,573,000).

The income tax credit increased to HK$7,777,000 (2009: approximately HK$1,265,000) due to the reduction of deferred tax during the Year Under Review. The exchange gain arising on translation of assets in foreign currency to presentation currency amounted to HK$6,216,000 (2009: approximately HK$1,237,000). Summing up the combined effects of the foregoing, total comprehensive expense for the Year Under Review amounted to approximately HK$48,863,000 (2009: approximately HK$39,153,000).

Future Strategies

The Group will make its footprint in overseas uranium resources business and serve the needs of China's nuclear power development by identifying more suitable uranium projects of premier quality, in addition to the existing Western Prospector project in Mongolia and the 37.2% uranium project in Niger. With the already-developed uranium products trading business, the Group will have a very broad horizon with exploration, mining, milling, processing and trading capacity. In respect of the die-casting business, the Group is in the process of conducting a thorough review to set its long-term targets. Taking advantage of the trend of nuclear power development in the PRC, the Group have also commenced its study in extending and deepening the sectors of operations gradually and developing towards the directions of uranium product processing and nuclear energy compliant industries. The Group will continue to utilise its listing platform in expanding its scope of operations as well as striving to secure impressive return for the shareholders.

Employees and Remuneration Policies

As at 31st December, 2010, the Group employed approximately 1,219 (2009: 1,158) full-time employees of whom 26 (2009: 25) were based in Hong Kong, 1,158 (2009: 1,092) were based in the Group's factories in Dongguan and office in Beijing, the PRC and 35 (2009: 41) were based in Mongolia. Total staff cost incurred during the Year Under Review amounted to approximately HK$60,761,000 (2009: HK$46,151,000).

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 share options and 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

As at 31st December, 2010, total bank borrowings amounted to HK$16,000,000 (At 31st December, 2009: HK$16,000,000) which would be due within one year. The bank borrowings are denominated in Hong Kong dollars, and bear interest at rates calculated with reference to Hong Kong Interbank Offered Rate ("HIBOR") plus basis.

The Group had net current assets amounting to approximately HK$574,625,000 (At 31st December, 2009: approximately HK$634,970,000) and a current liabilities of approximately HK$149,188,000 (At 31st December, 2009: approximately HK$44,417,000) as at 31st December, 2010. During the Year Under Review, the Group acquired of approximately 300 tonnes of uranium concentrates which were kept in stock at 31st December, 2010. The uranium concentrates account for the main part of the increase of inventories of approximately HK$285,230,000 at 31st December, 2010 compared to 31st December, 2009. Debtors' turnover days decreased from about 104 days as at 31st December, 2009 to about 80 days as at 31st December, 2010. Capital expenditures on plant, equipment, exploration and evaluation assets, leasehold improvements and construction in progress totalled approximately HK$142,200,000 during the Year Under Review (2009: approximately HK$212,576,000), of which approximately HK$416,000 (2009: approximately HK$95,000) was related to the construction cost of the new manufacturing plant situated in Shanghai, the PRC. Commitment to purchase additional property, plant and equipment that had been contracted for but not provided in the financial statements as at 31st December, 2010 amounted to approximately HK$4,980,000 (At 31st December, 2009: approximately HK$17,952,000).

During the Year Under Review, net cash outflow from operating activities amounted to approximately HK$278,833,000 (2009: approximately HK$12,206,000). The Group's cash on hand and bank balances decreased from approximately HK$607,626,000 as at 31st December, 2009 to approximately HK$306,797,000 as at 31st December, 2010 after the acquisition of the uranium concentrates.

Total shareholders' funds increased from approximately HK$857,595,000 as at 31st December, 2009 to approximately HK$950,839,000 as at 31st December, 2010, mainly due to the conversion option arising from the above-mentioned convertible note issued and the deemed contributions from equity participants arising from the acquisition of Ideal Mining and net asset guarantee compensation from equity participants according to service agreements during the Year Under Review. As a result of the issue of the above-mentioned convertible note, the gearing ratio, in terms of total debts to total assets, increased to approximately 0.35 (At 31st December, 2009: approximately 0.14) as at 31st December, 2010.

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 Year Under Review.

Exposure to Foreign Exchange Risk

The Group's income, expenditure of raw materials, manufacturing, 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 Under Review, 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, 2009.

Charge on Assets

There was no charge on the Group's assets during the Year Under Review (2009: Nil).

PURCHASE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the Year Under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2010 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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. Deloitte Touche Tohmatsu on this preliminary 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 Listing Rules throughout the Year Under Review apart from the chairman of the Board did not attend the 2010 annual general meeting due to his illness.

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 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 and one non-executive director. The present members are Mr. Cheong Ying Chew Henry (Chairman of the audit committee), Mr. Chen Xinyang, Mr. Cui Liguo and Mr. Zhang Lei. The Group's annual report for the Year Under Review as well as the accounting principles and practices have been reviewed 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. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei, one executive director namely Mr. Han Ruiping who chairs the remuneration committee and one non-executive director namely Mr. Chen Xinyang.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk). An annual report for the year ended 31st December, 2010 containing all the information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange as well as the Company in due course.

APPRECIATION

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

On behalf of the Board
CNNC International Limited
Qiu Jiangang
Chairman

Hong Kong, 31st March, 2011

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. Chen Xinyang and independent non-executive directors, namely, Mr. Cheong Ying Chew Henry, Mr. Cui Liguo and Mr. Zhang Lei.

* *For identification purpose only*