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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, 2019

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, 2019 (the "Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31st December, 2019 HK$'000	2018 HK$'000
Revenue	3	**3,169,836**	1,992,052
Cost of sales		**(3,137,195)**	(1,969,367)
Gross profit		**32,641**	22,685
Other income and gains (losses)		**7,656**	2,464
Net exchange losses		**(2,597)**	(535)
Selling and distribution expenses		**(3,560)**	(1,982)
Administrative expenses		**(21,918)**	(18,340)
Impairment loss of exploration and evaluation assets		**(210,367)**	—
Share of result of an associate		**(1,896)**	—
Finance costs		**(17,365)**	—
(Loss) profit before tax	4	**(217,406)**	4,292
Income tax (expense) credit	5	**(1,917)**	19,321
(Loss) profit for the year		**(219,323)**	23,613
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(1,646)**	(2,625)
Fair value change on equity instrument at fair value through other comprehensive income ("FVTOCI")		**(4,176)**	—
Item that maybe subsequently reclassified to profit or loss:			
Share of exchange difference of an associate		**(6,627)**	—
Other comprehensive expense for the year		**(12,449)**	(2,625)
Total comprehensive (expense) income for the year attributable to owners of the Company		**(231,772)**	20,988
Basic (loss) earnings per share	7	**HK(44.8) cents**	HK4.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31st December,	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**12,605**	15,048
Exploration and evaluation assets		**—**	211,151
Interests in associates		**422,069**	—
Right-of-use asset		**556**	—
Deposit paid for acquisition of equity instrument at fair value through other comprehensive income		**—**	2,561
		435,230	228,760
Current assets			
Inventories		**340,858**	100,380
Trade and other receivables and prepayments	8	**251,509**	103,710
Restricted cash		**19,004**	—
Bank balances and cash		**100,543**	177,917
		711,914	382,007
Current liabilities			
Trade, bills, and other payables and accruals	9	**241,622**	24,549
Contract liabilities		**25,617**	15,520
Bank borrowings		**538,774**	—
Lease liability		**331**	—
Amount due to an intermediate holding company		**1,901**	1,910
Amount due to ultimate holding company		**1,977**	1,977
Amounts due to fellow subsidiaries		**140**	117
Income tax payable		**1,632**	—
		811,994	44,073
Net current (liabilities) assets		**(100,080)**	337,934
Total assets less current liabilities		**335,150**	566,694

	As at 31st December,	
	2019	2018
	HK$'000	*HK$'000*
Non-current liability		
Lease liability	**228**	—
Net assets	**334,922**	566,694
Capital and reserves		
Share capital	**4,892**	4,892
Share premium and reserves	**330,030**	561,802
Equity attributable to owners of the Company	**334,922**	566,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2019

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 of Hong Kong Limited (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.

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 HK$219,323,000 for the year ended 31st December, 2019 and as of that date, the Group had net current liabilities of HK$100,080,000. The Group had not complied with certain financial covenant as stipulated in the bank loan agreement of the Group's bank borrowing of HK$285,013,000 outstanding as at 31st December, 2019, which requires the Group to meet certain ratio of consolidated total liabilities to consolidated total assets at all times, after recognition of the impairment loss of exploration and evaluation assets of HK$210,367,000 in the consolidated financial statements as at 31st December, 2019. Accordingly, such bank borrowings are repayable on demand.

Subsequent to 31st December, 2019, the Group has applied for a waiver from the bank for such non-compliance and the bank agreed not to demand immediate repayment of the entire borrowings or any part thereof. As at the date of approval of the consolidated financial statements, such waiver, which includes a short term adjustment on certain ratio, for the non-compliance of the covenant as stated in the bank loan agreement has been granted by the bank.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the short term adjustment on certain financial covenants in respect of bank borrowings, the Group's operating cash flows and available unutilised short-term banking facilities.

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.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

New and amendments to HKFRSs that are mandatorily effective for the current year

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a leasee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liability and right-of-use asset at amounts equal to the related lease liability by applying HKFRS 16.C8(b)(ii) transition. Comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts.

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 property, exploration and selling of mineral properties and supply chain. They represent three major lines of business engaged in by the Group. The Group's operating and reportable segments under HKFRS 8 are as follows:

- Trading of mineral property — trading of uranium
- Exploration and selling of mineral properties — exploration and selling of uranium
- Supply chain — selling of electronics and other products, dispersed metal and provision of supply chain management services

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2019

Segments	**Trading of mineral property** *HK$'000*	**Exploration and selling of mineral properties** *HK$'000*	**Supply chain** *HK$'000*	**2019 Total** *HK$'000*
Trading of				
— uranium	**601,321**	**—**	**—**	**601,321**
— electronics and other products	**—**	**—**	**1,418,306**	**1,418,306**
— dispersed metal	**—**	**—**	**1,150,209**	**1,150,209**
	601,321	**—**	**2,568,515**	**3,169,836**

For the year ended 31st December, 2018

Segments	Trading of mineral property *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Supply chain *HK$'000*	2018 Total *HK$'000*
Trading of				
— uranium	252,886	—	—	252,886
— electronics and other products	—	—	1,731,507	1,731,507
Provision of supply chain management services	—	—	7,659	7,659
	252,886	—	1,739,166	1,992,052

The following is an analysis for the Group's revenue and results from continuing operations by reportable and operating segment:

For the year ended 31st December, 2019

	Trading of mineral property *HK$'000*	Exploration and selling of mineral properties *HK$'000*	Supply chain *HK$'000*	Consolidated *HK$'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)**

For the year ended 31st December, 2018

	Trading of mineral property *HK$'000*	Exploration and selling mineral properties *HK$'000*	Supply chain *HK$'000*	Consolidated *HK$'000*
Segment revenue	252,886	—	1,739,166	1,992,052
Segment profit (loss)	1,836	(6,086)	10,281	6,031
Bank interest income				2,041
Unallocated corporate costs				(3,780)
Profit before tax				4,292

Revenue of the Group represents amounts received or receivable arising from the sale of uranium, electronic and other products, dispersed metal, provision of supply chain management services and exploration and selling of mineral properties.

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 costs, share of result of an associate, exchange (gain) loss 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 segment:

	As at 31st December,	
	2019	2018
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
— Trading of mineral property	**324,479**	204,636
— Exploration and selling of mineral properties	**15,368**	228,908
— Supply chain	**378,979**	165,822
	718,826	599,366
Interests in associates	**422,069**	—
Unallocated corporate assets	**6,249**	11,401
Consolidated assets	**1,147,144**	610,767
LIABILITIES		
Segment liabilities		
— Trading of mineral property	**337,588**	3,373
— Exploration and selling of mineral properties	**16,753**	16,425
— Supply chain	**167,202**	22,629
	521,543	42,427
Unallocated corporate liabilities	**290,679**	1,646
Consolidated liabilities	**812,222**	44,073

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, amounts due to an intermediate holding company, ultimate holding company and fellow subsidiaries 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	
	2019	2018
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	**2,606,781**	1,808,179
Cayman Islands	**188,468**	—
The United Kingdom	**121,734**	—
The United States	**106,325**	—
Germany	**94,102**	—
Switzerland	**52,426**	75,396
Canada	**—**	108,477
	3,169,836	1,992,052

4. (LOSS) PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit before tax has been arrived at after charging:		
Directors' emoluments	**1,467**	1,601
Other staff costs	**9,508**	6,518
Retirement benefit schemes contributions	**771**	62
Total staff costs	**11,746**	8,181
Depreciation of property, plant and equipment	**868**	1,081
Depreciation of right-of-use asset	**111**	—

5. TAXATION

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.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31st December, 2018 as the assessable profit was wholly absorbed by tax losses brought forward.

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%. In 2019, a PRC subsidiary of the Company was qualified as enterprise operating in encouraged industries in Shenzhen and was subject to an Enterprise Income Tax ("EIT") rate of 15%. In 2018, it was qualified as "Small Low-profit Enterprise" in Shenzhen and subject to an EIT rate of 10%.

	2019	2018
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax	**808**	—
PRC EIT	**1,085**	39
Under (over) provision of EIT	**24**	(19,360)
	1,917	(19,321)

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, 2019.

7. (LOSS) EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(219,323)**	23,613

	2019	2018
Number of ordinary shares for the purposes of (loss) earnings per share	**489,168,308**	489,168,308

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables — aged 0 to 30 days	**231,322**	21,611
Trade receivables — aged 31 to 60 days	**16,521**	—
	247,843	21,611

The Group allows a credit period of 30 to 45 days to its trade customers. The trade receivables have been fully settled subsequent to the end of the reporting period.

9. TRADE, BILLS, AND OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Trade payables — aged 0 to 30 days	**153,398**	—

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

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Overview

During the year ended 31st December, 2019 (the "Year"), the Group has continued its business of exploration and trading of mineral properties, trading of electronics and other products (such as liquid crystal displays, flash drives, memory cards, metal raw materials etc), and completed its investments of approximately 18.45% of the registered capital of CNNC Financial Leasing Company Limited ("CNNC Leasing"). In the Year, the Group has further diversified its trading activities in other products, such as dispersed metal products, etc.

The Group has recorded revenue from trading of natural uranium and supply chain business of approximately HK$3,169,836,000 (2018: approximately HK$1,992,052,000) for the Year, an increase of approximately 59% over last year. The increase in revenue is due to the increase in revenue generated from the business of trading of uranium, electronics and metal products. During the Year, a net loss of approximately HK$219,323,000 was recorded as compared to a net profit of approximately HK$23,613,000 recorded in the corresponding period last year. The aforesaid significant loss is primarily due to (i) the full impairment loss of exploration and evaluation assets in relation to the Group's Mongolian Mining Project of approximately HK$210,367,000 (the "Full Impairment"); (ii) the absence of write-back of tax provision in the PRC in the Year (2018: amount of write-back of tax provision approximately HK$19,360,000); (iii) the finance costs for the Group's investment in CNNC Leasing and the trading facilities approximately HK$17,365,000 (2018: Nil); and (iv) the share of loss of an associate of approximately HK$1,896,000 (2018: 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 and 6th March, 2020, in December 2019, the Group received a notice from the relevant Mongolian authority, which suggested the Group to apply for a court order in relation to the matters for the reason that the relevant exploration licenses had expired. In January 2020, an indirect wholly owned subsidiary of the Company, which is the holder of the exploration licenses (as the applicant) has filed in the Capital City Administrative Court of First-Instance of Mongolia (the "Court") an administrative lawsuit (the "Lawsuit") with the Mineral Resources and Petroleum Authority of Mongolia (as the respondent) claiming, among other things, to confirm the non-performance of the respondent in relation to the granting of the mining licenses in accordance with the Mongolian laws and reinstate the validity of the exploration licenses. As mentioned in the announcement dated 4th May, 2020, the Company has been informed by the Group's Mongolian legal adviser that in the hearing of the Court on 30th April, 2020, the Court refused discussion of the Group's application. Without providing detailed reasons, the Court apparently considered that the application had been time-barred. Written judgement of the Court (with detailed reasons) are expected to be delivered within 14 days. Having considered the reasons that the application of the mining licenses had been launched according to the Mongolian Laws well before the expiration of the exploration licenses, the Group had been negotiating with the government officials of the relevant Mongolian authorities, and the advice from the Group's Mongolian legal adviser, the management remains optimistic that the application could be resolved satisfactorily. Pending the delivery of the written judgement of the Court and further advice of the Group's Mongolian legal adviser, the Group would appeal against the decision of the Court. Having discussed with the auditors of the Company with reference to the Court hearing on 30th April, 2020 in relation to the Lawsuit, which was not favourable to the Group and the applicable accounting requirements, the Group has adopted a prudent approach and made a full impairment loss for the Group's Mongolian Mining Project in the amount of approximately HK$210,367,000. Should the appeal judgement is favourable to the Group, the fair value of the exploration and evaluation assets may be written back.

The Company is closely monitoring the progress of the Lawsuit 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 Lawsuit.

Operations Review

During the Year, the Group recorded a "Revenue" and "Cost of sales" of approximately HK$3,169,836,000 (2018: approximately HK$1,992,052,000) and approximately HK$3,137,195,000 (2018: approximately HK$1,969,367,000) respectively, an increase of 59% in both items over last year, which resulted in a "Gross profit" of approximately HK$32,641,000 (2018: approximately HK$22,685,000), an increase of approximately 44% over last year. The increase in revenue and gross profit is due to the increase in revenue generated from the business of trading of uranium, electronics and metal products (which are covered under the Supply Chain segment). The Group did not record any revenue from provision of supply chain management services during the Year (2018: approximately HK$7,659,000) as the Group was considered as a principal in providing goods to customers for all the revenue generated during the Year.

"Other income and gains (losses)", of approximately HK$7,656,000 (2018: approximately HK$2,464,000), was mainly operating income generated from the supply chain business from customers' overdue charges and interest income generating from the bank. "Net exchange losses" of approximately HK$2,597,000 were the net exchange losses recorded during the Year (2018: approximately HK$535,000).

Due to the substantial increase of business activities during the Year, the "Selling and distribution expenses" has increased by approximately 80% to approximately HK$3,560,000 (2018: approximately HK$1,982,000) as compared to last year. The "Administrative expenses" amounted to approximately HK$21,918,000 (2018: approximately HK$18,340,000) during the Year, an increase of approximately 20% compared to last year as the general activities of the Group has expanded during the Year.

During the Year, the Group has incurred an impairment loss of approximately HK$210,367,000 (2018: Nil) on the Group's Mongolian Mining Project. Such impairment loss was recorded based on having discussed with the auditors of the Company with reference to the Court hearing on 30th April, 2020 in relation to the Lawsuit, which was not favourable to the Group and the applicable accounting requirements, the Group has made a full impairment loss for the Group's Mongolian Mining Project.

"Share of result of an associate", of which a loss of approximately HK$1,896,000 was recorded during the Year (2018: Nil). The share of result of associate was generated from the Group's 18.45% share of the registered capital in CNNC Leasing since CNNC Leasing has become the Group's associate on 11th September, 2019 and after adjustments between the accounting standards of Hong Kong and the PRC. On the date of the acquisition, the Group's 18.45% share of the capital in CNNC Leasing was accounted for as equity instrument at fair value through other comprehensive income of the Group until CNNC Leasing has become the Group's associate on 11th September, 2019.

During the Year, the Group has incurred "Finance costs" of approximately HK$17,365,000 (2018: Nil) from various bank facilities of which the Group has secured during the Year for the expansion of the Group's business trading activities and equity investment in CNNC Leasing.

Total Comprehensive (Expense) Income for the Year

Summing up the combined effects of the foregoing, loss for the Year amounted to approximately HK$219,323,000 (2018: profit approximately HK$23,613,000). After taken into account of the other comprehensive expense of approximately HK$12,449,000 (2018: approximately HK$2,625,000) relating to exchange differences arising from the translation to presentation currency, the fair value change on the equity instrument at FVTOCI and the share of exchange difference of an associate, the total comprehensive expense for the Year amounted to approximately HK$231,772,000 (2018: total comprehensive income of approximately HK$20,988,000).

Future Strategies

Due to the Sino-US trade war and the Pandemic outbreak in the PRC and across the globe, which results in, among other things, weakening demand, deteriorating credits, slowdown of the economy and various limitations, such as movement of people and goods and work resumptions, the customers, end-users and suppliers of the Group's supply chain management business, who are mostly based in the PRC, have been affected. Based on the aforesaid, the Group currently expects that the revenue to be generated from the Group's supply chain management business, as well as the financial results, for the 2020 financial year will be adversely affected. The Group will closely monitor the market situation and the development of the Sino-US trade war and the Pandemic, and will seek to adjust its business strategies with a view to minimize their adverse impacts, including the consideration to focus more in the uranium products trading business, in which the Group has established competitive advantages.

As mentioned in the announcement, dated 26th February, 2019, of the Company, the Group completed its investment in 18.45% interest in CNNC Leasing. By leveraging on the market expertise and size of the shareholders of CNNC Leasing including China National Nuclear Corporation ("CNNC"), the ultimate holding company of the Company, a market leader in the nuclear energy market in the PRC, the management believes that CNNC Leasing could be able to develop into a promising business and generate satisfactory returns to its shareholders. On 11th September, 2019 (the "Date of Appointment"), CNNC Leasing has appointed two personnels designated by the Group to the board of directors of CNNC Leasing. Since the Date of Appointment, the Group has been considered to have significant influence on CNNC Leasing, which has been recognised as an associate of the Group. According to the accounting policy of the Group, from the Date of Appointment, the Group would share the after-tax profit or loss and other comprehensive income of the associate.

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.

For the Mongolian Mining Project, the Group filed the Lawsuit in January 2020. For further details, please refer to the sub-section headed "Market and Business Overview" above. Although the result of the first hearing was not favourable, the management remains optimistic that the Lawsuit could eventually be resolved satisfactorily. The management will work closely with the Group's Mongolian legal adviser about the appeal against the decision of the Court. The Group would continue to closely monitor the progress of the case 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.

In August 2019, the Group entered into the Strategic Agreement with CNNC industry Fund Management Corporation ("CNNC Fund"), an affiliate of CNNC, pursuant to which, among other things, the Group has the right (but not the obligation) to participate or invest in projects relating to the development of nuclear electricity overseas, application of nuclear technologies, nuclear industry chain and new technologies offered by CNNC Fund.

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

Employees and Remuneration Policies

As at 31st December, 2019, the Group employed 22 (2018: 16) full-time employees of whom 4 (2018: 3) were based in Hong Kong, 14 (2018: 9) were based in the PRC and 4 (2018: 4) were based in Mongolia. Total staff costs incurred during the Year amounted to approximately HK$11,746,000 (2018: approximately HK$8,181,000).

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

During the Year, the Group's bank borrowings increased significantly compared to last year. As at 31st December, 2019, the Group had bank borrowings of approximately HK$538,774,000 (at 31st December, 2018: Nil), of which approximately HK$253,761,000 (at 31st December, 2018: Nil) was being utilized to fund the expansion of the Group's business trading activities, and approximately HK$285,013,000 (at 31st December 2018: Nil) was being utilized to fund the equity investment of CNNC Leasing. The Group had net current liabilities amounting to approximately HK$100,080,000 (at 31st December, 2018: net current assets approximately HK$337,934,000) and the current liabilities amounting to approximately HK$811,994,000 (at 31st December, 2018: approximately HK$44,073,000) as at 31st December, 2019 due to the reclassification of bank borrowings as mentioned in Note 1. During the Year, the Group has continued to engage in the business activities of trading natural uranium, electronic products and metals products, and as at 31st December, 2019, the Group had trade receivables of approximately HK$247,843,000 (at 31st December, 2018: approximately HK$21,611,000) and trade payables of approximately HK$153,398,000 (at 31st December, 2018: Nil). Capital expenditures on property, plant and equipment were approximated HK$170,000 during the Year (2018: approximately HK$429,000). During the Year, the Group did not have any capital expenditures on exploration and evaluation assets (2018: 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, 2019 (at 31st December, 2018: Nil).

During the Year, net cash outflow from operating activities amounted to approximately HK$148,903,000 (2018: approximately HK$64,074,000) mainly due to increase in inventories and trade receivables. The Group's cash on hand and bank balances decreased from approximately HK$177,917,000 as at 31st December, 2018 to approximately HK$100,543,000 as at 31st December, 2019. The Group also has restricted cash of approximately HK$19,004,000 (31st December, 2018: Nil) as at 31st December, 2019 which was pledged to various banks for bank facilities and bills payable.

Total shareholders' funds decreased from approximately HK$566,694,000 as at 31st December, 2018 to approximately HK$334,922,000 as at 31st December, 2019, mainly due to the total comprehensive expense during the Year. The gearing ratio, in terms of total debts to total assets, increased to 0.71 (at 31st December, 2018: 0.07) as at 31st December, 2019 due to the increase in bank borrowings and the Full Impairment of the exploration and evaluation assets.

Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no material acquisitions and disposals of subsidiaries and associated companies for the Year, other than 18.45% interest in CNNC Leasing initially acquired in February 2019 and subsequently being recognised as an associate of the Group as of 11th September, 2019.

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, 2018.

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 18.45% 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 accounts of China Nuclear International Corporation and CNNC International Holdings (Shenzhen) Limited, both are wholly owned subsidiary of the Company, was charged. Apart from the above, there was no charge on the Group's assets during the Year (2018: apart from the shares in Somina, Nil).

PURCHASE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Final Results Announcement published on 31st March, 2020 was neither audited nor agreed with the company auditor, Deloitte Touche Tohmatsu, 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 differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

	Notes	**(Announced on 31st March, 2020) 31st December, 2019** *HK\$'000* (Unaudited)	**Adjustments** *HK\$'000*	**(Announced on 6th May, 2020) 31st December, 2019** *HK\$'000* (Audited)
Net exchange losses	*(4)*	(71)	(2,526)	(2,597)
Finance costs	*(3)*	(14,884)	(2,481)	(17,365)
Impairment loss of exploration and evaluation assets	*(1)*	(76,577)	(133,790)	(210,367)
Share of result of an associate	*(2)*	14,301	(16,197)	(1,896)
Loss before tax		(62,412)	(154,994)	(217,406)
Loss for the year		(64,329)	(154,994)	(219,323)
Other comprehensive (expenses) income				
Items that will not be reclassified to profit or loss:				
Exchange differences arising on translation to presentation currency	*(1)*	(1,927)	281	(1,646)
Fair value change on equity instrument at FVTOCI	*(5)*	21,656	(25,832)	(4,176)
Item that maybe subsequently reclassified to profit or loss:				
Share of exchange difference of an associate	*(2)*	—	(6,627)	(6,627)
Total comprehensive expense for the year attributable to owners of the Company		(44,600)	(187,172)	(231,772)
Basic loss per share		(13.2) cents	(31.6) cents	(44.8) cents
Exploration and evaluation assets	*(1)*	133,509	(133,509)	—
Interests in associates	*(2)*	482,043	(59,974)	422,069
Bank borrowings (current portion)	*(3)*	259,587	279,187	538,774
Net current assets (liabilities)		179,107	(279,187)	(100,080)
Total assets less current liabilities		807,820	(472,670)	335,150
Bank borrowings (non-current portion)	*(3)*	285,498	(285,498)	—
Net assets		522,094	(187,172)	334,922
Share premium and reserves		517,202	(187,172)	330,030

Notes

(1) Having discussed with the auditors of the Company with reference to the Court hearing on 30th April, 2020 in relation to the Lawsuit, which was not favourable to the Group and the applicable accounting requirements, the Group has made a full impairment loss for the Group's Mongolian Mining Project in the amount of approximately HK$210,367,000 and related exchange difference on translation to presentation currency.

(2) Compared with share of profit of an associate amounted to HK$14,301,000 as recorded in the unaudited final result announcement on 31 March, 2020, the adjustments mainly arisen from updates on general accepted accounting principles adjustments relating to adoption of

    (a) HKFRS 15 "Revenue from Contracts with Customers" contributes to decrease of profit sharing of HK$8,714,000; and

    (b) HKFRS 9 "Financial Instruments" contributes to decrease of profit sharing of HK$9,345,000

    Together with other adjustments proposed by the auditor of the associate, the share of loss of an associate was adjusted to HK$1,896,000.

    Besides, exchange loss of HK$6,627,000 recorded in other comprehensive expense on translation of share of result of an associate arising from depreciation of RMB against HK$ in 2019.

(3) Adjustment on loan front-end fee of bank borrowing for acquisition of an associate in 2019, with respective amortisation in 2019. Upon the Full Impairment being made, the Group would not be able to satisfy a financial covenant in relation to the ratio of the total liabilities to the total assets of the Group, as contained in certain facility agreement in the principal amount of up to HK$300 million and made by the Group with a financial institution in February 2019. The Long-term bank borrowings were reclassified as current portion.

(4) Foreign currency translation loss of bank balances.

(5) Revision on assessed value of CNN Leasing performed by independent qualified professional valuer on the date of recognition as an associate.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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, 2019 as set out in this 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 approved by the Board of Directors on 6th May, 2020. 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 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 of Hong Kong Limited (the "Stock Exchange") throughout the Year, except that

(A) when Mr. Cheong Ying Chew Henry resigned as an independent non-executor director on 31st December, 2019, (i) the Company had only two independent non-executive directors, which fell below the minimum number required under Rule 3.10(1) of the Listing Rules, and did not have an independent non-executive director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules ("Appropriate Expertise"); (ii) the Audit Committee did not have an independent non-executive director with Appropriate Expertise nor have a chairman as required under Rule 3.21 of the Listing Rules; and (iii) each of the Remuneration Committee and the Nomination Committee comprised an executive director, a non-executive director and two independent non-executive directors, which failed to meet the requirements under Rule 3.25 and Code Provision A.5.1 of the Corporate Governance Code of the Listing Rules, which respectively require the Remuneration Committee and the Nomination Committee comprising a majority of independent non-executive directors. Following the appointment of Mr. Chan Yee Hoi as an independent non-executor director and chairman or member of committees of the Company on 9th March, 2020, the Company has complied with the requirements under Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules; and

(B) According to Code Provision A.6.7 of the CG Code, non-executive directors and independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, a non-executive director could not attend the 2019 annual general meeting held on 30th May, 2019. However, at the 2019 annual general meeting, there were other executive, non-executive and independent non-executive directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from 16th June, 2020 to 19th June, 2020 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting to be held on 19th June, 2020, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15th June, 2020.

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 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 annual report for the Year 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. 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.

EVENT AFTER REPORTING PERIOD

Details of the status of the Lawsuit relating to the Mongolian Mining Project are set out in the "Market and Business Overview".

After the recent outbreak of Coronavirus Disease 2019 ("COVID-19 Outbreak"), a series of precautionary and control measures have been implemented across the globe. The Group has been closely monitoring the development of the COVID-19 Outbreak. The Group expects COVID-19 Outbreak will have a negative impact on the Group's revenue and results for the first half of 2020. The actual impacts may differ from these estimates as the situation continues to evolve and when further information may become available.

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 (http://www.hkexnews.hk). An annual report for the year ended 31st December, 2019 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 on or before 15th May, 2020.

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
Chairman
Zhong Jie

Hong Kong, 6th May, 2020

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.