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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)

CONTINUING CONNECTED TRANSACTIONS

THE FRAMEWORK AGREEMENT

On 23rd February, 2022, the Company and CNUC entered into the Framework Agreement in relation to the Uranium Supply Transaction and the Uranium Purchase Transaction.

Pursuant to and during the term of the Framework Agreement:

- (a) in respect of the Uranium Supply Transaction, the Group agreed to sell, and CNUC Group agreed to purchase, natural uranium products; and
- (b) in respect of the Uranium Purchase Transaction, CNUC Group agreed to procure Rössing Uranium Mine to appoint the Group as its exclusive authorised distributor for the sale and distribution of Rössing Uranium Products whereby the Group agreed to purchase such Rössing Uranium Products for on-sale to third party customers in all countries and regions around the world except the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNNC Overseas is a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNNC Overseas is directly wholly owned by CNUC, CNUC is regarded as an associate of CNNC Overseas and hence a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for each of the Uranium Supply Transaction and the Uranium Purchase Transaction are, on an annual basis, over 5%, and the respective highest Proposed Annual Caps exceed HK\$10,000,000, the transactions contemplated under the Framework Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee which comprises Mr. Cui Liguu, Mr. Zhang Lei and Mr. Chan Yee Hoi, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. The Independent Financial Adviser, Gram Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (a) details of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (c) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Framework Agreement and the Proposed Annual Caps; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 16th March, 2022.

THE FRAMEWORK AGREEMENT

Date

23rd February, 2022

Parties

- (a) The Company (for itself and on behalf of each of its subsidiaries); and
- (b) CNUC (for itself and on behalf of each of its subsidiaries (other than the Group))

As at the date of this announcement, the Company is directly owned as to approximately 66.72% by CNNC Overseas, which in turn, is directly wholly owned by CNUC. CNUC is directly owned as to approximately 65.77% by CNNC, which in turn, is directly wholly owned by the SASAC.

Term

The Framework Agreement is conditional on obtaining the approval of the Independent Shareholders at the EGM, and shall take effect from the date of the EGM until 31st December, 2024 (both days inclusive).

Transactions

The Framework Agreement contemplates the Uranium Supply Transaction and the Uranium Purchase Transaction, details of which are set out below:

(a) The Uranium Supply Transaction

(i) Subject matter

The Group agreed to sell, and CNUC Group agreed to purchase, natural uranium products during the term of the Framework Agreement.

The parties further agreed that other than (a) CNUC Group's own natural uranium mined from its own mines; and (b) CNUC Group's purchases of natural uranium products conducted in accordance with such procurement agreements which are still effective as at the date of the Framework Agreement, (i) the Group shall act as the prioritised supplier of CNUC Group for its short term demand for natural uranium products, and CNUC Group shall purchase natural uranium products to be delivered in the then current year from the Group on a priority basis; and (ii) the Group shall act as the regional sole supplier of CNUC Group for its medium-to-long-term demand for natural uranium products, and CNUC Group shall purchase from the Group natural uranium products for delivery beyond the then current year that are sourced from suppliers based outside Asia and Africa.

The Uranium Supply Transaction contemplated under the Framework Agreement may take the form of physical delivery or book transfer at designated converter facilities. Depending on the form of each transaction, services to be provided by the Group may include, (i) contract negotiation; (ii) assistance to CNUC Group in obtaining approval from the relevant regulatory authorities in respect of the entering of the agreement; (iii) assistance to CNUC Group in applying for natural uranium import permits; (iv) preparation and verification of natural uranium delivery documents; (v) logistics tracking of the natural uranium products; (vi) receipt and exchange of the natural uranium products and related documents; (vii) settlement of payment for natural uranium products; and (viii) after-sales service such as handling of quality issues.

(ii) Selling price of the natural uranium products

The selling price charged by the Group under the Uranium Supply Transaction shall be determined on normal commercial terms and with reference to international price indicators published by UxC and TradeTech from time to time. In particular, subject to the Price Floor and the Price Ceiling (as particularised further below), the selling price shall be the sum of (a) 50% of the average price of natural uranium calculated by the arithmetic average of no less than one month of the long-term price indicators published monthly by UxC and TradeTech at month ends, with a commencing reference month lying within two months before the month of delivery; and (b) 50% of the average price of natural uranium calculated by the arithmetic average of no less than one month of the spot price indicators published monthly by UxC and TradeTech at month ends, with a commencing reference month lying within two months before the month of delivery. The specific commencing reference month and the number of reference month(s) used for determining the selling price for each transaction shall be determined by both parties through fair and reasonable negotiation and based on the then prevailing market conditions.

The parties agreed that in any event, the selling price charged by the Group shall not be (a) less than the average price of natural uranium calculated by the arithmetic average of no less than one month of the spot price indicators published monthly by UxC and TradeTech at month ends, with a commencing reference month lying within two months before the month of delivery. The specific commencing reference month and the number of reference month(s) adopted shall be those adopted for relevant price term under the corresponding contract (the “**Price Floor**”); and (b) more than a ceiling price to be negotiated and agreed by the parties based on the principle of good faith and fairness and taking into consideration, (i) the then prevailing selling price of third party suppliers to their major customers in the industry; (ii) the affordability of

nuclear power plant owners; (iii) the different pricing mechanisms in the industry; and (iv) the long-term and sustainable business relationship between the parties (the “**Price Ceiling**”).

The prices payable to the Group shall be settled by CNUC Group within 30 days from the delivery of natural uranium products or such other time as otherwise agreed by the parties.

The Group will enter into separate implementation contract(s) with CNUC Group in respect of each sale transaction which will set out the specific terms for the relevant sale transaction.

(b) The Uranium Purchase Transaction

(i) Subject matter

As at the date of this announcement, Rössing Uranium Mine is a uranium mine in Namibia which is indirectly owned by CNUC as to approximately 68.62%.

Pursuant to the Framework Agreement, CNUC Group agreed to procure Rössing Uranium Limited (the operator of Rössing Uranium Mine) to appoint the Group as its exclusive authorised distributor for the sale and distribution of uranium products mined at Rössing Uranium Mine (the “**Rössing Uranium Products**”) in all countries and regions around the world except the PRC. Under the arrangement, the Group shall purchase Rössing Uranium Products from Rössing Uranium Mine for on-sale to third party customers identified by the Group.

(ii) Purchase price of Rössing Uranium Products

The purchase price of Rössing Uranium Products payable by the Group to Rössing Uranium Limited (the operator of Rössing Uranium Mine) shall be at a discount of 2% of the resale price of such Rössing Uranium Products charged by the Group to its third party on-sale customers. The aforementioned pricing arrangement was arrived at between the parties after arm’s-length discussions and taking into consideration the services provided by and the risks to be borne by the Group.

The total amount of Rössing Uranium Products purchased by the Group during the term of the Framework Agreement shall not be more than 3 million pounds per year with the actual amount of purchase to be determined by the Group and Rössing Uranium Limited after further negotiations.

The prices payable to Rössing Uranium Limited shall be settled by the Group within 30 days from the delivery of Rössing Uranium Products or such other time as otherwise agreed by the parties.

CNUC Group agreed to procure Rössing Uranium Limited to enter into separate implementation contract(s) with the Group in respect of each purchase transaction which will set out the specific terms for the relevant purchase transaction.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The Group has not supplied any uranium products to CNUC Group and has not purchased any Rössing Uranium Products during the three financial years ended 31st December, 2021.

The Proposed Annual Caps for the transactions contemplated under the Framework Agreement for the three financial years ending 31st December, 2024 are set out as follows:

Transaction	Proposed Annual Caps for the year ending 31st December		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Uranium Supply Transaction	1,000,000	1,300,000	1,700,000
Uranium Purchase Transaction	1,300,000	1,300,000	1,400,000

In determining the Proposed Annual Caps of the transactions under the Framework Agreement for the three financial years ending 31st December, 2024, the Board has taken into account the following factors:

- (a) In respect of the Uranium Supply Transaction, the Board has made references to (i) the estimated growth in CNUC Group's annual demand for natural uranium products; (ii) the Group's capability of sourcing and supplying natural uranium to its customers in the past (approximately 2.9 million pounds of natural uranium products were supplied to Independent Third Party customers in 2020); and (iii) the prevailing market price of natural uranium products.
- (b) In respect of the Uranium Purchase Transaction, the Board has made references to (i) the estimated annual production volume of Rössing Uranium Mine based on its past production records; (ii) the prevailing market price of uranium products; (iii) the annual requirements of the prevailing long term offtake agreements committed by Rössing Uranium Mine; and (iv) the 2020 sales volume to Independent Third Party customers of the Group.

INFORMATION ON CNUC AND THE COMPANY

CNUC is a company established in the PRC with limited liability. As at the date of this announcement, CNUC is directly held as to approximately 65.77% by CNNC, which in turn, is directly wholly owned by the SASAC. CNUC Group is principally engaged in, among other things, uranium resources exploration, development, mining operations and management, and is the supplier of natural uranium products to the downstream nuclear power plants of CNNC Group.

As at the date of this announcement, the Group is principally engaged in the trading of natural uranium products. It is the strategic positioning of the Group to become CNUC Group's major platform in overseas uranium resources exploration, development and trading.

INFORMATION ON UXC AND TRADETECH

The Board considers the price indicators published by UxC and TradeTech to be reliable independent price references for international market price of natural uranium products and believes that it is common for natural uranium products purchasers to make reference to price indicators published by UxC and TradeTech.

UxC is one of the nuclear industry's leading consulting companies. It offers a wide range of services spanning the full fuel cycle with special focus on market-related issues. UxC was founded in March 1994 as an affiliate of The Uranium Exchange Company (Ux), in order to extend and provide greater focus to Ux's consulting and information services capabilities. UxC has taken over these functions and now publishes the Ux Weekly and Market Outlook reports on the enrichment, conversion and fabrication of uranium, nuclear power as well as publishing the industry standard Ux Prices, which are used as references in many fuel contracts. In addition, UxC also provides custom consulting services and prepares special reports on various topics, as well as provides data services, such as nuclear fuel price indicator reporting, including support for the New York Mercantile Exchange (NYMEX) uranium futures contract.

TradeTech, along with its predecessor companies — NUEXCO Information Services, CONCORD Information Services and CONCORD Trading Company — has supported the uranium and nuclear fuel cycle industry for nearly 50 years. It is widely recognized for its expertise in trading activities and its comprehensive knowledge of the technical, economic and political factors affecting this industry. TradeTech provides independent market consulting services and maintains an extensive information database on the international nuclear fuel market, and publishes daily, weekly and monthly uranium market prices and analysis.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of UxC and TradeTech and their respective subsidiaries are third parties independent of the Group, CNUC Group and CNNC Group.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group has continued its business of trading of uranium products in its normal and usual course of business. Leveraged on the years of accumulated experience and its already established operational infrastructure in the international trading of uranium products, the Group will continue to devote to the development of the uranium trading business. The Group believes the transactions contemplated under the Framework Agreement are in line with the Group's strategic pursuit of becoming CNUC Group's major platform in overseas uranium resources exploration, development and trading, and will facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC market.

The continuing connected transactions contemplated under the Framework Agreement are expected to occur on a regular and continuing basis and in the ordinary and usual course of business of the Group.

The Directors (excluding the independent non-executive Directors who shall form their view after receiving the advice from Gram Capital) consider that (a) the terms of the Framework Agreement (including the Proposed Annual Caps) have been negotiated on an arm's length basis between the parties and are fair and reasonable; (b) the transactions contemplated under the Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (c) the transactions contemplated under the Framework Agreement are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNNC Overseas is a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNNC Overseas is directly wholly owned by CNUC, CNUC is regarded as an associate of CNNC Overseas and hence a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for each of the Uranium Supply Transaction and the Uranium Purchase Transaction are, on an annual basis, over 5%, and the respective highest Proposed Annual Caps exceed HK\$10,000,000, the transactions contemplated under the Framework Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the continuing connected transactions contemplated under the Framework Agreement is required to abstain from voting on the relevant resolution(s) at the EGM. Given CNNC Overseas is a wholly-owned subsidiary of CNUC, CNNC Overseas is regarded as having material interests in the Framework Agreement and the transactions contemplated thereunder. Accordingly, CNNC Overseas and its associates will be required to abstain from voting on the relevant resolutions in relation to the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM. Mr. Zhong Jie, Mr. Zhang Yi and Mr. Wu Ge, all being Directors, also held positions in CNUC Group or its associates and are regarded as having material interests in the Framework Agreement and the transactions contemplated thereunder. Accordingly, each of them had abstained from voting at the Board meeting on the relevant resolutions. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee which comprises Mr. Cui Liguu, Mr. Zhang Lei and Mr. Chan Yee Hoi, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. The Independent Financial Adviser, Gram Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (a) details of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (c) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Framework Agreement and the Proposed Annual Caps; and (d) a notice of the EGM, is expected to be despatched to the Shareholders on or before 16th March, 2022.

CONTINUED SUSPENSION OF TRADING

Pursuant to Rule 13.50 of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if an issuer fails to publish periodic financial information in accordance with the Listing Rules, and the suspension will normally remain in force until the issuer publishes the requisite financial information. At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30th April, 2021, and will remain suspended until further notice.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CNNC”	China National Nuclear Corporation (中國核工業集團有限公司), which is directly wholly owned by the SASAC as at the date of this announcement
“CNNC Group”	CNNC and its subsidiaries
“CNNC Overseas”	CNNC Overseas Uranium Holding Limited (中核海外鈾業控股有限公司), a company incorporated in Hong Kong with limited liability, being the immediate holding company of the Company holding approximately 66.72% Shares as at the date of this announcement. CNNC Overseas is wholly owned by CNUC as at the date of this announcement
“CNUC”	China National Uranium Corporation, Limited (中國鈾業有限公司), a company established in the PRC with limited liability and is directly owned by CNNC as to approximately 65.77% as at the date of this announcement
“CNUC Group”	CNUC and its subsidiaries (other than the Group)
“Company”	CNNC International Limited (中核國際有限公司), a company incorporated in the Cayman Islands whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2302)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder

“Framework Agreement”	the framework agreement dated 23rd February, 2022 and entered into between the Company and CNUC in respect of the Uranium Supply Transaction and the Uranium Purchase Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Cui Ligu, Mr. Zhang Lei and Mr. Chan Yee Hoi, all being independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than CNNC Overseas and its associates
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not the connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Ceiling”	has the meaning as defined in the section headed “The Framework Agreement — Transactions — (a) The Uranium Supply Transaction — (ii) Selling price of the natural uranium products” in this announcement

“Price Floor”	has the meaning as defined in the section headed “The Framework Agreement — Transactions — (a) The Uranium Supply Transaction — (ii) Selling price of the natural uranium products” in this announcement
“Proposed Annual Caps”	the proposed annual caps for each of the Uranium Supply Transaction and the Uranium Purchase Transaction as set out in the section headed “Historical Transaction Amounts and Proposed Annual Caps” in this announcement
“Rössing Uranium Mine”	a uranium mine in Namibia which is indirectly owned by CNUC as to approximately 68.62% as at the date of this announcement and is operated by Rössing Uranium Limited
“Rössing Uranium Products”	has the meaning as defined in the section headed “The Framework Agreement — Transactions — (b) The Uranium Purchase Transaction — (i) Subject matter” in this announcement
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TradeTech”	TradeTech of Denver Tech Centre, an independent provider of uranium prices and nuclear fuel market information
“Uranium Purchase Transaction”	the proposed purchase of Rössing Uranium Products by the Group pursuant to the Framework Agreement, details of which are as set out in the section headed “The Framework Agreement — Transactions — (b) The Uranium Purchase Transaction” in this announcement
“Uranium Supply Transaction”	the proposed supply of uranium products by the Group to CNUC Group pursuant to the Framework Agreement, details of which are as set out in the section headed “The Framework Agreement — Transactions — (a) The Uranium Supply Transaction” in this announcement

“UxC” UxC, LLC, a market research and analysis company in the nuclear industry

“%” per cent.

By order of the Board
CNNC International Limited
中核國際有限公司
Li Philip Sau Yan
Company Secretary

Hong Kong, 23rd February, 2022

As of 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.