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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**

References are made to the announcements dated 23rd February, 2022 and 26th May, 2022 and the circular of the Company dated 31st May, 2022, respectively, in relation to the Existing Framework Agreement and the transactions contemplated thereunder.

Given that the transaction amounts of the continuing connected transactions under the Existing Framework Agreement for the year ending 31st December, 2024 is expected to exceed the Existing Annual Caps, the Company and the CNUC Group proposes to enter into the 2024 Framework Agreement for a term commencing from the Effective Date until 31st December, 2025 (both days inclusive) to, among others, increase and specify the Proposed Annual Caps for the two financial years ending 31st December 2025, and update the pricing mechanism and modes of transactions.

### **THE 2024 FRAMEWORK AGREEMENT**

Pursuant to and during the term of the 2024 Framework Agreement:

- (a) in respect of the Uranium Supply Transaction, the Group shall sell, and the CNUC Group shall purchase, natural uranium products; the Group shall act as the CNUC Group’s exclusive supplier of natural uranium products purchased from sellers other than those based in Asia and Africa;

- (b) in respect of the Uranium Agency Transaction, with a view to better cater for, and to capture more business opportunities that may arise from the CNUC Group's sporadic demand for natural uranium products beyond and/or supplemental to the base procurement schedule from time to time, the Group may also act in the capacity as agent of the CNUC Group to procure natural uranium products in the market. The selling price charged by the Group shall be at a premium of 2% over the purchase price charged to the Group by the relevant third party suppliers;
- (c) in respect of the Uranium Purchase Transaction, the CNUC Group shall 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 shall purchase such Rössing Uranium Products for on-sale to third party customers in all countries and regions around the world except the PRC, and Rössing Uranium Mine will pay a commission of 2% on the on-sale amount as discount to the Group for the Uranium Purchase Transaction;
- (d) the Proposed Annual Caps for each of the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction for the two financial years ending 31st December, 2025 are set out in the section headed "Background of the Continuing Connected Transactions, Historical Transaction Amounts and Proposed Annual Caps" in this announcement; and
- (e) from the Effective Date, the Existing Framework Agreement shall be terminated and superseded by the 2024 Framework Agreement and all transactions, agreements and other documents entered into by the CNUC Group and the Group pursuant to the Existing Framework Agreement shall be governed by the terms of the 2024 Framework Agreement.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CNOL is a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNOL is directly wholly owned by CNUC, CNUC is regarded as an associate of CNOL and hence a connected person of the Company. As such, the transactions contemplated under the 2024 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 (i) the Uranium Supply Transaction and the Uranium Agency Transaction (aggregated under Rule 14A.81 of the Listing Rules), and (ii) 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 2024 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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder upon the approval of the circular by the Stock Exchange and the circular to be issued by the Company.

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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. The Independent Financial Adviser, Red Sun 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 2024 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 Red Sun Capital to the Independent Board Committee and the Independent Shareholders on the 2024 Framework Agreement and the Proposed Annual Caps; and (d) a notice of the EGM, is expected to be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnnintl.com](http://www.cnnintl.com)) on or before 10th May, 2024.

References are made to the announcements dated 23rd February, 2022 and 26th May, 2022 and the circular of the Company dated 31st May, 2022, respectively, in relation to the Existing Framework Agreement and the transactions contemplated thereunder.

Given that the transaction amounts of the continuing connected transactions under the Existing Framework Agreement for the year ending 31st December, 2024 is expected to exceed the Existing Annual Caps, the Company and the CNUC Group proposes to enter into the 2024 Framework Agreement for a term commencing from the Effective Date until 31st December, 2025 (both days inclusive) to, among others, increase and specify the Proposed Annual Caps for the two financial years ending 31st December 2025, and update the pricing mechanism and modes of transactions.

## THE 2024 FRAMEWORK AGREEMENT

### 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 CNOL, which in turn, is directly wholly owned by CNUC. CNUC is indirectly owned by CNNC, which in turn, is directly wholly owned by the SASAC.

### Term

The 2024 Framework Agreement will be entered into by the parties upon obtaining the approval of the Independent Shareholders at the EGM, and shall take effect from the date of execution by the parties (the “**Effective Date**”) until 31st December, 2025 (both days inclusive). The Existing Framework Agreement will be terminated and be superseded with the 2024 Framework Agreement upon the 2024 Framework Agreement becoming effective.

In consideration of the recent volatility in uranium price and the necessity for a framework agreement that can better cater to prevailing market dynamics, the Directors consider that it is fair and reasonable, and more beneficial, to adopt a shorter timeframe for the 2024 Framework Agreement in contrast to the more conventional three-year term adopted by the Existing Framework Agreement, to facilitate a more timely reassessment and renegotiation of terms in response to dynamic market conditions and industry trends.

### Transactions

The 2024 Framework Agreement contemplates the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction (together the “**Continuing Connected Transactions**”), details of which are set out below:

#### *(a) The Uranium Supply Transaction*

##### *(i) Subject matter*

Pursuant to the 2024 Framework Agreement, the Group shall sell, and the CNUC Group shall purchase, natural uranium products during the term of the 2024 Framework Agreement.

The 2024 Framework Agreement stipulates that other than (a) the CNUC Group's own natural uranium mined from its own mines; and (b) the 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 2024 Framework Agreement, the Group shall act as the CNUC Group's exclusive supplier of natural uranium products purchased from sellers other than those based in Asia and Africa.

The Uranium Supply Transaction contemplated under the 2024 Framework Agreement shall take the form of physical delivery at the borders or ports of the PRC. The Group will enter into separate implementation contract(s) with the CNUC Group in respect of each sale transaction which will set out the specific terms for the relevant sale transaction.

*(ii) Selling price of the natural uranium products*

The selling price charged by the Group under the Uranium Supply Transaction shall be determined in accordance with the following pricing mechanism:

$$\text{Selling Price} = (A \times 40\% + B \times 60\%) \times (100\% - C)$$

where,

“A” is the average month-end spot price indicators of the remaining 12 months (after excluding the month-end spot price indicators of the highest three and lowest three months within the past 18 months before the month of delivery) published in the monthly issues of “Ux Weekly” by UxC and “Nuclear Market Review” by TradeTech, respectively.

“B” is the average month-end long-term price indicators of the remaining 12 months (after excluding the month-end long-term price indicators of the highest three and lowest three months within the past 18 months before the month of delivery) published in the monthly issues of “Ux Weekly” by UxC and “Nuclear Market Review” by TradeTech, respectively.

“C” is the applicable discount of up to 5% for physical delivery arrangement, as negotiated and agreed between the parties for each implementation contract.

The selling price as determined shall be subject to the Price Floor (as particularised further below) but not a price ceiling.

*(iii) Price adjustment mechanism*

(1) Quantity discount

If the quantity of natural uranium products to be delivered under an implementation contract falls within the range shown in the left column of the table below, a corresponding additional discount rate shall be applied to the selling price as specified in the right column of the table below:

<b>Quantity Range</b>	<b>Discount Rate</b>
250 tons U or more, but less than 500 tons U	Up to 2%
500 tons U or more, but less than 1,000 tons U	Up to 3%
1,000 tons U or more	Up to 5%

(2) Price Floor

The parties, after arm's length negotiation, have agreed that the selling price of the natural uranium products charged by the Group shall, in any event, not be lower than the procurement cost plus a mark-up of 4.0% (the "**Price Floor**") after taking into account the risks to be borne by the Group, such as inventory risks, credit risks and pricing risks as well as the prevailing deposit interest rate.

The Directors consider that the pricing mechanism adopted in the 2024 Framework Agreement for the Uranium Supply Transaction is fair and reasonable having considered that (i) the elements contained in the pricing mechanism are in line with those referenced to by the uranium market players in general; (ii) the pricing mechanism provides for a protective Price Floor for the Group which ensures the Group will not incur a gross loss, but no corresponding "price ceiling" to limit the potential profitability of the Group under each Uranium Supply Transaction it enters into; and (iii) with the recent volatility of natural uranium prices and the exogenous uncertainties persisting in the uranium market, a longer horizon in price index references with the built-in adjustment of outliers (both top and bottom) provides the Group with more stable and predictable pricing benchmarks to plan its purchasing and sales strategies more tactically.

The purchase prices payable to the Group shall be settled by the CNUC Group within 30 days from the delivery of and acceptance of natural uranium products, or such other time as otherwise agreed by the parties, which the Directors consider to be within international market norm in general.

**(b) *The Uranium Agency Transaction***

*(i) Subject matter*

With a view to better cater for, and to capture more business opportunities that may arise from the CNUC Group's sporadic demand for natural uranium products beyond and/or supplemental to the base procurement schedule from time to time, the Group may also act in the capacity as agent of the CNUC Group to procure natural uranium products in the market.

*(ii) Resale price of the natural uranium products*

The resale price charged to the CNUC Group by the Group shall be at a premium of 2% over the purchase price charged to the Group by the relevant third party suppliers. The aforementioned premium of 2% over the purchase price is determined by both parties through fair and reasonable negotiation, having regard to the value-adding services provided by the Group and the risks to be borne by the Group, and referenced to the commission rate entitled by the Group under the Uranium Purchase Transaction. The Directors consider that the pricing mechanism adopted in the 2024 Framework Agreement for the Uranium Agency Transaction is fair and reasonable having regard to the limited transaction risk exposure and the corresponding agency services to be rendered.

Under the Uranium Agency Transaction, the Group shall employ its market intelligence to identify prospective suppliers, and, by leveraging the Group's seasoned proficiency in the global uranium trade and capitalising on its established connections with industry participants, to secure advantageous pricing through strategic negotiations.

The agency role of the Group will be on a non-exclusive basis. There will be no geographical restriction on the source of the Group's natural uranium products procurement. The Uranium Agency Transaction may take the form of physical delivery or via book transfer at designated western converters, and may be concluded by direct contracting between the CNUC Group and the source of supply identified by the Group, or through a back-to-back purchase-and-sale arrangement.

The payment terms offered by the CNUC Group to the Group shall be no less favourable to the Group than those offered by the relevant supplier(s) to the Group of the particular transaction.

There is no minimum commitment on the natural uranium products to be procured by the Group as agent under the Uranium Agency Transaction. The Group will enter into separate implementation contract(s) with the CNUC Group in respect of each agency transaction which will set out the specific terms for the relevant agency transaction.

*(c) 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 68.62%.

Pursuant to the 2024 Framework Agreement, the CNUC Group shall 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 its third party customers which are based outside the PRC and 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 third party on-sale customers. The aforementioned pricing arrangement was arrived at between the parties after arm’s length discussions and taking into consideration (a) the value-adding services provided by and the risks to be borne by the Group; and (b) the historical gross profit margin for the Group’s similar natural uranium trading business with Independent Third Parties (which ranged between 1.13% and 3.39% for trades conducted during the year ended 31 December, 2023). The Directors consider that the pricing mechanism adopted in the 2024 Framework Agreement for the Uranium Purchase Transaction is fair and reasonable having regard to the limited transaction risk exposure and the corresponding distribution services to be rendered, as well as the relative comparability in terms of the range of gross profit margin from other similar transactions with Independent Third Parties.

Under the Uranium Purchase Transaction, the Group shall utilise market intelligence and sales and marketing resources to identify high-demand regions and potential downstream customers to align with the production of the Rössing Uranium Mine. Leveraging the Group’s expertise in international uranium trade, strategic negotiations based on strong relationships with downstream customers will aim to optimise selling prices, enhancing the revenue for Rössing Uranium Limited.

The payment terms offered by the Group to the CNUC Group shall be determined by taking into account the market practice and commercial negotiation between the parties, and in any event, shall be no less favourable than those offered by the Group to its on-sale customer(s) of the particular transaction.

There is no minimum commitment on the Rössing Uranium Products to be purchased and resold by the Group under the Uranium Purchase Transaction. The CNUC Group shall 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.

## **BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS, HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS**

The Group is principally engaged in the trading of natural uranium products and it is the strategic positioning of the Group to become the CNUC Group's major platform in overseas uranium resources exploration, development and trading through leveraging the Group's competitive advantages. Under this backdrop and with the entering into of the Existing Framework Agreement in February 2022, the Group commenced transacting with the CNUC Group, encompassing both the uranium supply transaction and the uranium purchase transaction under the terms specified in the Existing Framework Agreement.

During the two financial years ended 31st December, 2023, transaction amounts for the uranium supply transaction under the Existing Framework Agreement amounted to approximately HK\$205.8 million and approximately HK\$368.7 million, and the Group earned commission income from the uranium purchase transaction under the Existing Framework Agreement totalling approximately HK\$14.2 million and approximately HK\$13.1 million, respectively.

The Proposed Annual Caps for the transactions contemplated under the 2024 Framework Agreement for the two financial years ending 31st December, 2025 are set out as follows:

<b>Transaction</b>	<b>Proposed Annual Caps for the year ending 31st December,</b>	
	<b>2024</b>	<b>2025</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Uranium Supply Transaction	2,250,000	2,600,000
Uranium Agency Transaction	23,000	26,000
Uranium Purchase Transaction	20,000	40,000

In determining the Proposed Annual Caps of the transactions under the 2024 Framework Agreement for the two financial years ending 31st December, 2025, the Board has taken into account the following factors:

- (a) In respect of the Uranium Supply Transaction, the proposed pricing mechanism, the current uranium spot and long-term price indicators, and the projected base procurement schedule from the CNUC Group for the two financial years ending 31st December, 2025.

- (b) In respect of the Uranium Agency Transaction, the proposed commission rate, the current uranium spot and long-term price indicators, and the preliminary estimates of the potential volume of uranium products that may be procured under the agency arrangement.
- (c) In respect of the Uranium Purchase Transaction, the proposed commission rate, the preliminary estimates of amount of Rössing Uranium Products to be purchased by the Group during the term of the 2024 Framework Agreement, and the current uranium spot and long-term price indicators.

#### **INTERNAL CONTROL MEASURES ADOPTED BY THE GROUP**

To safeguard the interest of the Group and the Shareholders as a whole, and to ensure the Group will conduct the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction in accordance with the terms of the 2024 Framework Agreement, the Group will adhere to the following internal control measures in respect of the transactions contemplated under the 2024 Framework Agreement:

- (a) each transaction under the 2024 Framework Agreement shall be initiated by the international trading department, and reviewed by the head of the international trading department, finance department, legal department, and the vice general manager in charge of the international trading department of the Group. Upon approval by all the above parties, the transaction is recommended for approval by the chief executive officer. The approving parties shall observe that the terms of each transaction under consideration are comparable to the terms of comparable transactions with Independent Third Parties before approving a transaction;
- (b) prior to entering into any transaction under the 2024 Framework Agreement, the designated staff member from the international trading department of the Group shall check to ensure the pricing mechanism adopted is in accordance with the terms of the 2024 Framework Agreement;
- (c) the designated staff member from the finance department of the Group will continuously monitor the accumulated transaction amounts for each of the Uranium Supply Transaction, the Uranium Agency Transaction and the Uranium Purchase Transaction for each financial year covered by the 2024 Framework Agreement to ensure compliance with their corresponding annual caps. In the event that the accumulated transaction amounts of each of the Continuing Connected Transactions incurred and to be incurred for a financial year is expected to reach the annual caps, the international trading department will follow up forthwith to consider if an amendment to the annual caps is required and to ensure compliance of the relevant requirements under the Listing Rules;

- (d) in particular, regarding the Uranium Supply Transaction the Group will closely monitor to ensure that the transaction price is fixed by adopting the relevant prices indexes as published in the monthly issues of “Ux Weekly” by UxC and “Nuclear Market Review” by TradeTech pursuant to the pricing formula as stipulated in the 2024 Framework Agreement and is subject to the Price Floor.
- (e) in particular, regarding the Uranium Agency Transaction:
  - (i) the Group will closely monitor to ensure that the transaction price is fixed at a premium of 2% over the purchase price charged to the Group by the relevant third party suppliers; and
  - (ii) the Group will closely monitor to ensure that the payment terms offered by the CNUC Group to the Group are no less favourable to the Group than those offered by the relevant supplier(s) to the Group of the particular transaction;
- (f) in particular, regarding the Uranium Purchase Transaction:
  - (i) the Group will closely monitor to ensure that 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 third party on-sale customers; and
  - (ii) the Group will closely monitor to ensure that the payment terms offered by Rössing Uranium Limited to the Group are no less favourable to the Group than the terms offered by the Group to its on-sale customer(s) of the particular transaction;
- (g) the chief executive officer will approve each and every transaction under the 2024 Framework Agreement before it is executed; and
- (h) the independent non-executive Directors and the auditors of the Company will conduct annual review of the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction and confirm whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, in accordance with the 2024 Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such transactions were conducted in accordance with the pricing policies set out in the 2024 Framework Agreement.

## REASONS FOR AND BENEFITS OF THE 2024 FRAMEWORK AGREEMENT

According to UxC's forecast for the future global reactor count and nuclear generating capacity, most of the growth is anticipated to occur in Asia, particularly in the PRC. Nuclear power is expected to have the greatest presence in Asia, with the PRC being the largest growth market. Leveraged on the Existing Framework Agreement, the Group has since tapped into the uranium supply market in the PRC by serving as the procurement arm of the CNUC Group in the international uranium trading market. Meanwhile, the Group has continued its uranium products trading business to and from Independent Third Parties in the normal and usual course of business. For the year ended 31st December, 2023, the Group generated revenue from trading of natural uranium of approximately HK\$567,900,000, corresponding to sales of approximately 1.16 million pounds  $U_3O_8$  (of which approximately 0.66 million pounds  $U_3O_8$  were sold to the CNUC Group through the uranium supply transaction pursuant to the Existing Framework Agreement).

The global natural uranium market in 2023 had been impacted by multiple geopolitical events, including the continuous Russian-Ukraine conflict, worldwide inflation and recessionary concerns, along with a rising interest from financial investors in natural uranium, and rising interest rates in the financial market. These external factors have contributed and leading up to the significant volatility in uranium spot prices since the second half of 2023, which in turn, has affected the market behaviour. Since early 2021, there was a substantial surge in financial interest in the physical uranium market. The influx of financial players into the market with their financial-related buying significantly increased demand for uranium in the spot market, leading to a notable increase in spot prices (which surpassed long-term prices since June 2023, a phenomenon not seen since 2007/2008). Additionally, the transit transportation route for uranium through Kazakhstan from Uzbekistan was interrupted since around April 2023, causing disruptions and delays to certain of the Group's sales of uranium to the CNUC Group as originally planned for 2023, which resulted in the overall lower sales volume of natural uranium products to the CNUC Group in 2023. As it is the intention of both the CNUC Group and the Group to replenish such shortfall on top of the base procurement schedule of the CNUC Group for 2024 and 2025, the Group estimated that the Existing Annual Caps for the transactions contemplated under the Existing Framework Agreement would no longer be sufficient to cover the targeted sales amount for 2024. Coupled with the recent volatility in the uranium market and having considered the potential additional business opportunities that may arise from the sporadic uranium procurement demands from the CNUC Group, the Group proposed to enter into the 2024 Framework Agreement that encompasses the Proposed Annual Caps, updated pricing terms and an added transaction mode (i.e., the Uranium Agency Transaction) covering a period up to 31 December 2025.

The Group believes that the terms of the proposed Uranium Supply Transaction under the 2024 Framework Agreement not only allow the Group to recoup the sales shortfall carried forward from 2023 but also cater to the base scheduled procurement of the

CNUC Group in 2024 and 2025. It also provides a measure of predictability and stability amidst the volatile market, better equipping the Group to manage market volatility and price fluctuation risks through tactical purchasing and sales strategies, particularly when planning and conducting the Uranium Supply Transaction.

With the aim of further expanding its ability to capitalise on the growing uranium demand and capture more uranium supply opportunities to the PRC nuclear power market through the CNUC Group, the Group and the CNUC Group also resolved to expand their collaboration with the added agency service, where the Group will act as agent of the CNUC Group in the sourcing of uranium products from international uranium market to supplement the uranium procurement needs of the CNUC Group that may arise from time to time aside from its base procurement schedule. The Group considers this newly introduced Uranium Agency Transaction under the 2024 Framework Agreement serves as an additional service offering that is attuned to the evolving needs of the CNUC Group in uranium products. Since the Uranium Agency Transaction shall be conducted on a back-to-back basis, it provides the Group with opportunities to earn additional revenue without being exposed to market risks, such as pricing, profit margin, and inventory holding, which are associated with the Uranium Supply Transaction, especially in a more volatile trading environment. It also provides the Group with more flexibility in managing its treasury and cashflow requirements when considering undertaking potential business transactions with the CNUC Group.

By forming a strategic partnership with the CNUC Group, the Group is well-positioned to reinforce its standing in the nuclear industry, creating a synergistic impact on its international procurement prowess. Given the dominance of a few nuclear power groups in the PRC nuclear power market and the challenging entry barriers into the uranium trading industry, especially for the uranium supply to the PRC nuclear power market, the Group believes that the entering into of the Continuing Connected Transactions are not only in line with the Group's strategy to solidify its position as the CNUC Group's major platform in overseas uranium products distribution, sourcing and trading, but also enable the Group to capitalise on the growing uranium demand in the PRC, further facilitate the Group's further business expansion in its uranium trading segment, strengthen its international market position and negotiation power, which in turn will consolidate the Group's profitability in the long run.

In light of the above, the Directors (excluding the independent non-executive Directors who shall form their view after receiving the advice from the Independent Financial Adviser) consider that (a) the terms of the 2024 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 2024 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 2024 Framework Agreement are in the interests of the Group and its Shareholders as a whole.

## **TERMINATION OF THE EXISTING FRAMEWORK AGREEMENT**

From the Effective Date, the Existing Framework Agreement shall be terminated and superseded by the 2024 Framework Agreement and all transactions, agreements and other documents entered into by the CNUC Group and the Group pursuant to the Existing Framework Agreement shall be governed by the terms of the 2024 Framework Agreement.

## **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 indirectly owned by CNNC, which in turn, is directly wholly owned by the SASAC. The 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 the 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 the CNUC Group's major platform in overseas uranium resources exploration, development and trading, and would facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC and worldwide market, which in turn would enhance the Group's profitability in the long run.

## **INFORMATION ON UxC AND TRADETECH**

The Board considers the price indices as published in the monthly issues of "Ux Weekly" by UxC and "Nuclear Market Review" by 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 indices 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 recognised 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, the CNUC Group and the CNNC Group.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CNOL is a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNOL is directly wholly owned by CNUC, CNUC is regarded as an associate of CNOL and hence a connected person of the Company. As such, the transactions contemplated under the 2024 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 (i) the Uranium Supply Transaction and the Uranium Agency Transaction (aggregated under Rule 14A.81 of the Listing Rules), and (ii) 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 2024 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 2024 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 2024 Framework Agreement is required to abstain from voting on the relevant resolution(s) at the EGM. Given CNOL is a wholly-owned subsidiary of CNUC, CNOL is regarded as having material interests in the 2024 Framework Agreement and the transactions contemplated thereunder. Accordingly, CNOL and its associates will be required to abstain from voting on the relevant resolutions in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM. Mr. Wang Cheng, Mr. Zhang Yi, Mr. Sun

Ruofan and Mr. Wu Ge, all being Directors, have also held positions in the CNUC Group or its associates and are regarded as having material interests in the 2024 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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee which comprises Mr. Cui Liguo, 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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. The Independent Financial Adviser, Red Sun 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 2024 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 Red Sun Capital to the Independent Board Committee and the Independent Shareholders on the 2024 Framework Agreement and the Proposed Annual Caps; and (d) a notice of the EGM, is expected to be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnnintl.com](http://www.cnnintl.com)) on or before 10th May, 2024.

## **DEFINITIONS**

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

“2024 Framework Agreement”	the framework agreement to be entered into between the Company and CNUC in respect of the Uranium Supply Transaction, the Uranium Agency Transaction and the Uranium Purchase Transaction
“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 (中國國務院國有資產監督管理委員會) as at the date of this announcement
“CNNC Group”	CNNC and its subsidiaries (other than the Group)

“CNOL”	CNNC Overseas Limited (中核海外有限公司) (formerly known as 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. CNOL is wholly owned by CNUC as at the date of this announcement
“CNUC”	China National Uranium Co., Limited (中國鈾業股份有限公司), a company established in the PRC with limited liability and is indirectly owned by CNNC 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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
“Existing Annual Cap(s)”	the existing annual cap(s) for each of the uranium supply transaction and the uranium purchase transaction as set out in Existing Framework Agreement
“Existing Framework Agreement”	the framework agreement dated 23rd February, 2022 (as supplemented by a supplemental agreement dated 26th May, 2022) and entered into between the Company and CNUC in respect of the uranium supply transaction and the uranium purchase transaction, which was approved by independent Shareholders at an extraordinary general meeting of the Company held on 23rd June, 2022
“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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than CNOL 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 Floor”	has the meaning as defined in the section headed “The 2024 Framework Agreement — Transactions — (a) The Uranium Supply Transaction — (iii) Price adjustment mechanism” in this announcement
“Proposed Annual Caps”	the proposed annual caps for each of the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction as set out in the section headed “Background of the Continuing Connected Transactions, 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 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 2024 Framework Agreement — Transactions — (c) 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 (中國國務院國有資產監督管理委員會)
“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
“ton U”	metric ton of uranium metal, where 1 ton U equals to approximately 2,599.79 pounds U <sub>3</sub> O <sub>8</sub>
“TradeTech”	TradeTech of Denver Tech Centre, an independent provider of uranium prices and nuclear fuel market information
“U <sub>3</sub> O <sub>8</sub> ”	the form of natural triuranium octaoxide, a compound of uranium that is a common form in which uranium is sold and traded
“Uranium Agency Transaction”	the proposed supply of uranium products by the Group, acting as an agent, to the CNUC Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed “The 2024 Framework Agreement — Transactions — (b) The Uranium Agency Transaction” in this announcement
“Uranium Purchase Transaction”	the proposed purchase of Rössing Uranium Products by the Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed “The 2024 Framework Agreement — Transactions — (c) The Uranium Purchase Transaction” in this announcement

“Uranium Supply Transaction”	the proposed supply of uranium products by the Group to the CNUC Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed “The 2024 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, 18th April, 2024

*As at the date of this announcement, the Board comprises non-executive Director and chairman, namely, Mr. Wang Cheng, executive Director and chief executive officer, namely, Mr. Zhang Yi, non-executive Directors, namely, Mr. Wu Ge and Mr. Sun Ruofan, and independent non-executive Directors, namely, Mr. Cui Liguu, Mr. Zhang Lei and Mr. Chan Yee Hoi.*