THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CGN Mining Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

中广核 CGN 中广核礦業有限公司*
CGN Mining Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) FUTURE POTENTIAL CONTINUING CONNECTED TRANSACTIONS; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 4 to 15 of this circular.

A letter from the Independent Board Committee is set out on page 16 of this circular.

A letter from Gram Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 27 of this circular. A notice convening the EGM of the Company to be held at Boardroom 3-4, M/F., Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 15 January 2019 (Tuesday) at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 228 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purpose only*

28 December 2018

CONTENTS

"Acquisition"	the proposed acquisition of the Sale Shares under the Sale and Purchase Agreement
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Business Day(s)"	a day on which banks are open for business in Hong Kong, other than a Saturday, Sunday or public holiday in Hong Kong
"CGNPC"	中國廣核集團有限公司 China General Nuclear Power Corporation* (formerly known as 中國廣東核電集團有限公司 China Guangdong Nuclear Power Holding Corporation, Ltd.*), the ultimate controlling shareholder of the Company
"CGNPC Uranium Resources"	CGNPC Uranium Resources Co., Ltd.(中廣核鈾業發展有限公司), the controlling shareholder of the Company
"Company"	CGN Mining Company Limited(中廣核礦業有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1164)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	completion date as agreed in the Sale and Purchase Agreement
"connected person"	has the same meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition in the amount of USD8,553,800
"controlling shareholder"	has the same meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	extraordinary general meeting
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion

"Group"	the Company and its subsidiaries
"GBP"	pounds sterling, the lawful currency of the United Kingdom
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"IBC"	the independent board committee to be established by the Board to make recommendation to the Acquisition
"Independent Financial Advisor" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the IBC and the Independent Shareholders in relation to the Acquisition
"Independent Shareholder(s)"	has the same meaning as ascribed to it under the Listing Rules
"Latest Practicable Date"	21 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 March 2019 or such date as the Vendor and the Purchaser may agree in writing
"percentage ratio"	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
"PRC"	the People's Republic of China; and for the purpose of this circular excluding, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Sale and Purchase Agreement"	the sale and purchase agreement dated 16 November 2018 entered into between the Company (as purchaser) and the Vendor in relation to the Acquisition

"Sale Shares"	3,000,000 ordinary shares of US$1.00 each in the capital of the Target Company, representing the entire issued share capital of the Target Company, to be sold by the Vendor to the Company pursuant to the Sale and Purchase Agreement at Completion
"Shareholder(s)"	the shareholder(s) of the Company
"subsidiary(ies)"	has the same meaning as ascribed to it under the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Swakop"	Swakop Uranium (PTY) Limited, a company incorporated in Namibia and a subsidiary of CGNPC
"Target Company"	CGN Global Uranium Limited (中廣核國際鈾產品銷售有限公司), a company incorporated with limited liability under the laws of England and Wales, which is wholly owned by the Vendor
"Valuation Report"	The valuation report prepared by the Valuer, which is set out in Appendix V – Valuation Report to this circular
"Valuer"	Zhongshuizhiyuan Assets Appraisal Co., Ltd. (中水致遠資產評估有限公司), an independent valuer to the Company
"Vendor"	China Uranium Development Company Limited (中國鈾業發展有限公司*), a company incorporated with limited liability in Hong Kong, is the controlling shareholder of the Company, holding approximately 64.82% of the equity interest in the Company as at the date of this circular
"USD"	U.S. dollars, the lawful currency of the United States
"%"	per cent

* *The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1164)

Executive Directors:
Mr. An Junjing *(Chief Executive Officer)*
Mr. Chen Deshao

Non-executive Directors:
Mr. Yu Zhiping *(Chairman)*
Mr. Sun Xu
Mr. Yin Xiong

Independent Non-executive Directors:
Mr. Qiu Xianhong
Mr. Gao Pei Ji
Mr. Lee Kwok Tung Louis

Registered Office:
Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman
KYI-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Room 1903, 19/F
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

28 December 2018

To the Shareholders,

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) FUTURE POTENTIAL CONTINUING CONNECTED TRANSACTIONS;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to the announcements of the Company dated 20 July 2018 and 16 November 2018 in relation to the Acquisition.

The Board is pleased to announce that on 16 November 2018, the Company (as purchaser) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares for the consideration of USD8,553,800. Details of the Sale and Purchase Agreement are set out below. The Consideration of USD8,553,800 shall be satisfied in form of cash payment to the account as designated by the Vendor on the Completion Date. Following the Completion, the Company will hold the entire equity interest in the Target Company.

* *For identification purpose only*

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules and is subject to the reporting, announcement, accounting report and Shareholders' approval in general meeting requirements under Chapter 14 of the Listing Rules.

As at the date of this circular, the Vendor owns 64.82% of the issued shares in the Company and thus is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition and the transactions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Vendor and its associates will be required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details about the Sale and Purchase Agreement and the transactions contemplated; (ii) the recommendations from the IBC; (iii) a letter of advice from Gram Capital to the IBC and the Independent Shareholders; (iv) the financial information on the Group; (v) the accountants' report of the Target Company; (vi) the management discussion and analysis on the Target Company; (vii) the unaudited pro forma financial information of the Enlarged Group; (viii) the Valuation Report; (ix) general information; and (x) the notice of the EGM required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

16 November 2018

Parties involved

Purchaser: The Company

Vendor: China Uranium Development Company Limited（中國鈾業發展有限公司）

Given that the Vendor owns 64.82% of the issued shares of the Company, it is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

The assets to be acquired under the Sale and Purchase Agreement are the Sale Shares, which represent the entire equity interest in the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

The principal assets of the Target Company are uranium inventory, details of which are set out in the section headed "Information of the Target Company".

Consideration

Pursuant to the Sale and Purchase Agreement, it has been agreed that the Consideration is of USD8,553,800 and will be settled in cash by the Company.

The Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement with reference to the valuation of USD8,553,800 of the Target Company.

The valuation of the Target Company in the amount of USD8,553,800 was carried out by the Valuer, adopting asset-based valuation methodology which takes into account the total audited values of the Target Company's assets and liabilities with reference to the Target Company's audit report as at 30 June 2018.

Whilst the audited net assets book value of the Target Company was approximately USD6,006,800 as at 30 June 2018, the main reasons for the Target Company being valued at USD8,553,800 (representing a premium of approximately USD2,547,000) are, subject to the Valuation Report, as follows:

1. The current assets were evaluated approximately USD1,347,000 higher than the book value, which is mainly due to the inclusion of the profits to be realized from the natural uranium inventories of the Target Company.

2. The intangible assets were evaluated approximately USD1,200,000 higher than the book value, which is mainly due to the fact that the valuation of the assets of the Target Company has included the profits to be generated pursuant to executed contracts entered into by the Target Company which were not reflected in its financial statements as at 30 June 2018.

The Directors believe that the Valuation Report is fair and reasonable for the following reasons:

(a) The Target Company was merely established in 2014 which enjoyed a fast pace of growth at the beginning stage. However, the uranium market nowadays is rapid and volatile. For instance, the uranium spot indicator has ramped up from 21 us/lbs to 29us/lbs merely in the second half of 2018. As such, it is difficult to conduct a meaningful forecast of the future revenue or income of the Target Company. On the other hand, the Directors understand that the Valuer has been unable to identify comparable listed companies in the same industry similar to the Target Company. Therefore, both the income approach and market approach are not suitable to be adopted for the current market industry. On such basis, the Directors are of the view that the assets-based approach, which takes into account the current value of the Target Company, is a more objective and prudent valuation method.

(b) The premium in the Consideration is mainly due to the inclusion of profits pursuant to secured contracts under which the procurement price and sales price are fixed.

(c) The Valuer is a qualified valuer with recognized reputation from the China State-owned Assets Supervision and Administration Commission.

Details of the Valuation Report are set out in Appendix V to this circular.

The Consideration will be settled by the Company in the form of cash payment to the account as designated by the Vendor on the Completion Date. In view of the reasons aforesaid and given the Consideration is with reference to the Valuation Report, the Directors are of the view that the Consideration is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is conditional upon the satisfaction or waiver (as applicable) of the following conditions precedent on or before the Long Stop Date:

(i) all necessary consents, licences and approvals (including but not limited to any consents or approvals from government authority, regulatory authority and the Stock Exchange) required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby, having been obtained and remaining in full force and effect;

(ii) the approval of CGNPC in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remaining in full force and effect;

(iii) the warranties given by the Vendor remaining true and accurate in all respects and the Vendor having complied with all undertakings and obligations under the Sale and Purchase Agreement;

(iv) the Independent Shareholders of the Company having approved the Sale and Purchase Agreement and the transactions contemplated thereunder in the EGM;

(v) the approval by the Stock Exchange of the circular of the EGM to be despatched to the Shareholders of the Company in respect of the transactions contemplated under the Sale and Purchase Agreement and compliance with or waiver from all requirements (if any) of the Listing Rules applicable to or as may be imposed by the Stock Exchange in respect of the Sale and Purchase Agreement and the transactions contemplated thereby; and

(vi) the transactions contemplated under the Sale and Purchase Agreement not having been regarded as a reverse takeover or an extreme very substantial acquisition of the Company under the Listing Rules or the relevant guidance letter(s).

The Company may at any time waive, in whole or in part, conditionally or unconditionally, any conditions precedent set out above except for conditions (iv) and (v) which could not be waived by any party.

If any of the conditions precedent have not been satisfied (or as the case may be, waived by the Company) on or before 4:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Based on the information available to the Company, the conditions precedent (i) and (ii) have been satisfied as at the Latest Practicable Date.

Completion

Completion shall take place within 5 Business Days following the day on which the conditions precedent set out in the Sale and Purchase Agreement are fulfilled (or waived as the case may be) or such other date as the parties may mutually agree.

INFORMATION OF THE COMPANY

The Company is an investment holding company and the Group is principally engaged in investment and trading of natural uranium resources.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated with limited liability in Hong Kong which owns 64.82% of issued shares of the Company and is the controlling shareholder of the Company. The Vendor is an investment holding and trading company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated with limited liability under the laws of England and Wales and as at the date of the Sale and Purchase Agreement, the Target Company is wholly owned by the Vendor.

The Target Company has accumulated good reputation in the field of global uranium trading. The main nature of the business of the Target Company is trading of natural uranium. The major operating geographical regions are overseas markets outside PRC, focusing on the European and American markets. The major customers of the Target

Company include European and American nuclear power owners, global nuclear fuel manufacturers, global nuclear fuel traders and etc. To the best knowledge of the Company, the major customers of the Target Company and their ultimate beneficial owners are parties independent from third parties other than Swakop, for instance from the global nuclear fuel producers and the global nuclear fuel traders mentioned above.

As the Target Company was established by the Vendor with an initial share capital of USD3,000,000 and was not acquired from a third party, there is no original acquisition cost involved in the transaction.

The audited net assets book value of the Target Company was approximately USD6,006,800 as at 30 June 2018. The table below sets out the audited financial information of the Target Company for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018:

	For the year ended 31 December 2015 *(audited)* *USD'000* *(approximately)*	**For the year ended 31 December 2016** *(audited)* *USD'000* *(approximately)*	**For the year ended 31 December 2017** *(audited)* *USD'000* *(approximately)*	**For the six months ended 30 June 2018** *(audited)* *USD'000* *(approximately)*
Revenue	48,579	82,627	95,467	44,726
Profit/(loss) before tax	1,884	(7,859)	7,337	2,295
Profit/(loss) after tax	1,466	(6,264)	5,838	1,967

FINANCIAL EFFECTS OF THE ACQUISITION

Following the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated with the financial results of the Group.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities and earnings of the Enlarged Group.

As at 30 June 2018, the Group had total assets of approximately HK$1,897,170,000 and total liabilities of approximately HK$123,827,000. Based on the total assets and liabilities of the Enlarged Group as at 30 June 2018, the unaudited pro forma total asset will be approximately HK$2,698,570,000 and total liabilities will be approximately HK$947,626,000 as indicated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group contained in Appendix IV to this circular.

The unaudited pro forma net profit attributable to equity shareholders of the Company for the year ended 31 December 2017 of the Enlarged Group will increase from HK$52,078,000 to approximately HK$94,703,000 as indicated in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group contained in Appendix IV to this circular.

Further details on the unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business model of the Company is to invest in cost-competitive international natural uranium production enterprises and sell such uranium products to owners of nuclear plants and thus obtain profits and investment dividends. The principal business model of the Target Company includes (1) purchasing and selling natural uranium in the international natural uranium market, and gaining profits through such trading; and (2) engaging in sale and distribution of Swakop's natural uranium products. The Acquisition is in the form of vertical acquisition to the Company in that the nature of customer for the Company is mainly wholesaler whereas the nature of customer of the Target Company is mainly retailer. The Directors believe that significant synergies upon Completion could be created from the following prospectives:

(1) **Strengthening of customer base:** the Enlarged Group will be able to receive procurement orders from wider groups of customers in terms of the scope and nature of customers in that the Target Company has broader access to the global uranium market which comprises of mainly retailer customers while the Company's major customer is limited to the Vendor which acts as a wholesaler. As such, the combination of the Group and the Target Company will provide room for potential growth in terms of both sales volume and profits.

(2) **Utilization of the Company's increased off-take:** the Directors foresee that the Company's off-take volume will increase in the future, and the proposed deal will enable the Company to take full advantage of the marketing channels of the Target Company to distribute such off-takes. In parallel, the Company's off-take right will enhance the flexibility and competitiveness of the Target Company to global buyers as well. As such, the synergy in utilizing the increased off-take of the Company would be created.

(3) **Better usage of Company's excess liquidity and possible reduction of financial costs:** The Target Company is currently relying on loans from external banks to carry out uranium trading while the Company has a strong cash and liquidity position. Upon Completion, the Company may consider using such excess liquidity to reduce the external loans by the Target Company such that the overall financial costs of the Enlarged Group can be reduced.

The Directors believe that the business of the Company and the Target Company are compatible to each other not only by reasons of the factors aforesaid, but also because the Target Company and the Company share the same vision, culture and management structure as they both have been to certain extent managed under the same group. Such factors will vastly contribute to the smooth promotion and consolidation of the Enlarged Group's business. The Acquisition is consistent with the Group's vision to diversify the Group's business profile and accelerate its growth and development in the near future.

In addition, it is our intention to broaden the overseas natural uranium, marketing channel and diversify the buying and selling network of uranium in the international market. The Acquisition will provide the Company with alternative purchasing channels, thus allowing more versatility and flexibility in the market of natural uranium. The Acquisition allows the Company to be able to (i) gain the valuable business experience and knowledge from the sales team of the Target Company in the natural uranium market; (ii) enjoy the reputation and goodwill accumulated by the Target Company through trading with renowned global natural uranium producers and traders; (iii) gain access to the mature trading operation system and management workflow for natural uranium adopted by the Target Company and (iv) strengthen its global natural uranium sale and purchase network, and thus broadening its international sales channels. To the best knowledge of the Company, there are no additional regulatory restrictions/requirements in relation to the natural uranium trading in the overseas market by the Group which would arise upon Completion.

Considering the above rationale, the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, accounting report and Shareholders' approval in general meeting requirements under Chapter 14 of the Listing Rules.

As at the date of this circular, the Vendor, holding 64.82% of the issued shares in the Company and thus a controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition is also subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. An Junjing, Mr. Chen Deshao, Mr. Yu Zhiping, each a Director, Mr. Fang Chunfa and Mr. Zhang Chengbai, the then Directors on the date of the Board resolution, were considered to have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder by virtue of their directorial and/or managerial positions in CGNPC, CGNPC Uranium Resources and/or the Vendor. As a result, Mr. An Junjing, Mr. Chen Deshao, Mr. Yu Zhiping, Mr. Fang Chunfa and Mr. Zhang Chengbai had abstained from voting on the Board resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

3. EGM

An EGM will be convened and held to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. The Vendor, who is the controlling shareholder, and its associates will be required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details about the Sale and Purchase Agreement and the transactions contemplated; (ii) the recommendations from the IBC; (iii) a letter of advice from Gram Capital to the IBC and the Independent Shareholders; (iv) the financial information on the Group; (v) the accountants' report of the Target Company; (vi) management discussion and analysis on the Target Company; (vii) the unaudited pro forma financial information of the Enlarged Group; (viii) the Valuation Report; (ix) general information; and (x) the notice of the EGM required under the Listing Rules.

4. POSSIBLE CONTINUING CONNECTED TRANSACTION

Before the date of the Sale and Purchase Agreement, Swakop, as supplier, and the Target Company, as distributor, entered into a master agreement. Swakop is a connected person of the Company by virtue of it being a subsidiary of CGNPC, the ultimate controlling shareholder of the Company indirectly holding approximately 64.82% of the equity interest in the Company.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the transactions under the aforesaid master agreement will constitute continuing connected transaction of the Company as defined under Chapter 14A of the Listing Rules. The Company currently has not determined the scale of transaction to be conducted with Swakop under the master agreement after Completion. Should such scale exceeds the relevant thresholds under Rule 14A.76, the Company will comply in full with all applicable requirements under Chapter 14A of the Listing Rules.

Further details and the salient terms of the master agreement are set out below for information purposes.

The master agreement

Date:	13 June 2016
Distributor:	The Target Company

Supplier:	Swakop
Subject matter:	The Target Company is appointed as the exclusive authorized distributor of Swakop to sell and distribute the triuranium octoxide from the Husab Uranium Project in the Republic of Namibia owned and operated by Swakop ("Products") within all countries and territories throughout the world excluding the PRC
Term:	(1) Initial term from 20 December 2015 to 19 December 2025; and (2) The master agreement shall extend beyond 19 December 2025, subject to: (i) approval of the Ministry of Mines and Energy of the Namibian government; or (ii) written notice from either Party to the contrary, served on the other Party 9 months before the proposed termination date
Basis of consideration:	The selling price between the Target Company and Swakop is basically determined based on a fixed discount to the re-selling price of the Products by the Target Company to its customers, which re-selling price shall be with reference to a pre-determined industry benchmark price published by a Ux Consulting in the Ux Weekly or the equivalent indicator published by TradeTech in the Nuclear Market Review. Both Ux Consulting and TradeTech are independent price reporting organizations.

Information of the counterparties of the continuing connected transaction

Swakop is mainly engaged in the exploration and mining of uranium mine.

Reasons for and benefits of the continuing connected transaction

The aforementioned transaction was entered into in the ordinary and usual course of business of the Target Company. Taking into account of the long term and stable business relationship between the counterparty and the Target Company, the aforementioned transaction can provide a stable business environment and operating instruments for the Group, so as to bring stabilized contributions to the Company and Shareholders.

Having made due and reasonable enquiries, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the master agreement are fair and reasonable and on normal commercial terms, and the master agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Target Company and are in the interests of the Company and the Shareholders as a whole.

5. RECOMMENDATION

The IBC comprising three independent non-executive Directors, namely, Mr. Qiu Xianhong, Mr. Gao Pei Ji, Mr. Lee Kwok Tung Louis, have been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. None of the members of the IBC has any direct or indirect interest in the Acquisition.

With the approval of the IBC, the Company has appointed Gram Capital as the Independent Financial Adviser to make recommendations to the IBC and the Independent Shareholders as to whether the terms and conditions of (i) the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Your attention is drawn to the advice of Gram Capital to the IBC and the Independent Shareholders set out in its letter on pages 17 to 27 of this circular.

For the reasons as set out in this letter, the Directors (excluding the independent non-executive Directors whose views are contained in the letter from the IBC in this circular) considers that (i) the Sale and Purchase Agreement is on normal commercial terms, fair and reasonable and (ii) that the entering into of the Sale and Purchase Agreement is in the interests of the Company and Shareholders as a whole, and recommend Independent Shareholders to vote in favour of the resolution approving the Sale and Purchase Agreement and transactions contemplated thereunder.

You are advised to read carefully the letters from the IBC and the Independent Financial Adviser contained in this circular before deciding whether or not to vote in favour of the ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated under at the EGM.

As completion of the Acquisition is subject to the fulfilment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
CGN Mining Company Limited
An Junjing
Chief Executive Officer

Hong Kong, 28 December 2018

中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1164)

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) FUTURE POTENTIAL CONTINUING CONNECTED TRANSACTIONS;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of CGN Mining Company Limited dated 28 December 2018 (the "Circular"), of which this letter forms a part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to establish the Independent Board Committee to give recommendations in respect of the Acquisition as referred to in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Please refer to the letter from the Board set out on pages 4 to 15 of the Circular which contains, inter alia, information in respect of the Acquisition and the transactions contemplated thereunder and the letter from Gram Capital Limited set out on pages 17 to 27 of the Circular which contains its advice in respect of the Acquisition and the transactions contemplated thereunder.

Having taken into account the opinion of Gram Capital Limited, we consider that the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
CGN Mining Company Limited
Mr. Qiu Xianhong **Mr. Gao Pei Ji** **Mr. Lee Kwok Tung Louis**
Independent non-executive Directors

* *For identification purpose only*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the IBC and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in the Circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 December 2018

To: The independent board committee and the independent shareholders of CGN Mining Company Limited

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the IBC and the Independent Shareholders in respect of the Sale and Purchase Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 28 December 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 November 2018, the Company (as purchaser) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares for the consideration of USD8,553,800. Following the Completion, the Company will hold the entire equity interest in the Target Company.

With reference to the Board Letter, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The IBC comprising Mr. Qiu Xianhong, Mr. Gao Pei Ji, and Mr. Lee Kwok Tung Louis (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the IBC and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the IBC and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company. We have assumed that all information and representations that have been provided by the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Company's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, the Target Company or its subsidiaries, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the Target Company (the "**Valuation Report**") as contained in Appendix V to the Circular. The Valuation Report was prepared by Zhongshuizhiyuan Assets Appraisal Co., Ltd., an independent valuer (the "**Valuer**"). Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for 100% equity interest of the Target Company as at 30 June 2018 (the "**Valuation**").

The Circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition

Business overview of the Company

With reference to the Board Letter, the Company is an investment holding company and the Group is principally engaged in investment and trading of natural uranium resources. The Group held 49% equity interest and 49% off-take rights of products in Semizbay-U Limited Liability Partnership ("**Semizbay-U**", a limited liability partnership established in Kazakhstan) and 19.91% equity interest in Fission Uranium Corp. ("**Fission**", a Canadian-based resource company).

Set out below are the consolidated financial information of the Company for the six months ended 30 June 2018 and two years ended 31 December 2017 as extracted from the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual report**") and interim report for the six months ended 30 June 2018 (the "**2018 Interim Report**"):

	For the six months ended 30 June 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**	**Change from 2016 to 2017**
	HK$'000	*HK$'000*	*HK$'000*	*%*
	(unaudited)	(audited)	(audited)	
Revenue	177,372	372,790	707,749	(47.33)
– *Property investment*	1,099	2,070	2,193	(5.61)
– *Other investments*	–	–	–	–
– *Natural uranium trading*	176,273	370,720	705,556	(47.46)
Gross profit	45,156	119,016	423,505	(71.90)
Profit for the year/period	26,020	52,078	389,130	(86.62)

As illustrated by the above table, there was significant reduction in the Group's revenue, gross profit and net profit for the year ended 31 December 2017 ("**FY2017**") as compared to those for the year ended 31 December 2016 ("**FY2016**"). With reference to the 2017 Annual Report, a new pricing mechanism was implemented on the sales of natural uranium in 2017 under the new natural uranium sales framework agreement of the Group which was approved by independent Shareholders on 29 December 2016. Since the pricing mechanism is more closely tied to market fluctuations, the selling price of natural uranium decreased significantly for FY2017 as compared with FY2016, resulting in a considerable decline in revenue, gross profit and profit in FY2017. The Group's net profit for FY2017 was further reduced by the negative share of results of a joint venture (i.e. Semizbay-U) and an associate (i.e. Fission) (positive share of results for FY2016).

With reference to the 2018 Interim Report, from the view of the relationship between supply and demand in the overall natural uranium market, the imbalance between supply and demand has gradually eased, and the price of natural uranium is likely to rise slowly in the second half of 2018. In this regard, the Group will ensure achieving the annual trade target to realize the revenue. The Group will strengthen the management and control of existing assets, ensure that the invested companies will achieve the operating target and avoid the negative impact of risk events on the operations of the Group through taking the role in the board of those companies. The Group will strive to complete the Acquisition to substantially expand the natural uranium international sales business. In addition, the Company will continue to track high-quality uranium projects and strive for new merger and acquisition opportunities.

Information on the Vendor

The Vendor is a company incorporated with limited liability in Hong Kong which owns 64.82% of issued shares of the Company and is the controlling Shareholder of the Company. The Vendor is an investment holding and trading company.

Information on the Target Company

The Target Company is a company incorporated with limited liability under the laws of England and Wales and as at the date of the Sale and Purchase Agreement, the Target Company is wholly owned by the Vendor.

With reference to the Board Letter, the main nature of the business of the Target Company is trading of natural uranium. The major operating geographical regions are overseas markets outside PRC, focusing on the European and American markets. The major customers of the Target Company include European and American nuclear power owners, global nuclear fuel manufacturers, global nuclear fuel traders and etc.

Set out below is the financial information of the Target Company for the two years ended 31 December 2017 and the six months ended 30 June 2018 (with comparative figures) as extracted from the accountants' report on the Target Company as contained in Appendix II to the Circular:

	For the year ended 31 December 2017	**For the year ended 31 December 2016**	**Change from 2016 to 2017**
	USD'000	*USD'000*	*%*
Revenue	95,467	82,627	15.54
Gross profit/(loss)	13,489	(1,869)	N/A
Net profit/(loss)	5,838	(6,264)	N/A

	For the six months ended 30 June 2018	**For the six months ended 30 June 2017**	**Change from 2017 to 2018**
	USD'000	*USD'000*	*%*
Revenue	44,726	58,365	(23.37)
Gross profit	5,005	8,597	(41.78)
Net profit	1,967	4,518	(56.46)

As depicted from the above table, the Target Company's revenue increased in FY2017 as compared to FY2016. The Target Company also made a turnaround in its gross loss/net loss position in FY2016 to gross profit/net profit position in FY2017. As advised by the Company, the Target Company's financial performance deteriorated during the six months ended 30 June 2018 (as compared to the corresponding period in 2017) as a result of depressed market which led to decrease in the Target Company's revenue and gross profit. Nevertheless, the Target Company was still profitable during the period.

Reasons for and benefits of the Acquisition

With reference to the Board Letter, the Acquisition is in the form of vertical acquisition to the Company in that the nature of customer for the Company is mainly wholesaler whereas the nature of customer of the Target Company is mainly retailer. The Directors believe that significant synergies upon Completion could be created from the following perspectives: (1) strengthening of customer base; (2) utilisation of the Company's increased off-take; and (3) better usage of Company's excess liquidity and possible reduction of financial costs. Details of the above is set out under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in the Board Letter.

With reference to the Board Letter, the Directors believe that the business of the Company and the Target Company are compatible to each other not only by reasons of the factors aforesaid, but also because the Target Company and the Company share the same vision, culture and management structure as they both have been to certain extent managed under the same group. Such factors will vastly contribute to the smooth promotion and consolidation of the Enlarged Group's business. The Acquisition would be consistent with the Group's vision to diversify the Group's business profile and accelerate its growth and development in the near future. In addition, it is the Group's intention to broaden the overseas natural uranium, marketing channel and diversify the buying and selling network of uranium in the international market. The Acquisition will provide the Company with alternative purchasing channels, thus allowing more versatility and flexibility in the market of natural uranium.

Based on the 2017 Annual Report, approximately HK$371 million out of HK$373 million revenue of the Group in FY2017 was generated from the sales of natural uranium to CGNPC Uranium Development Company Limited and/or its subsidiaries. Based on the information provided by the Company, we noted that 98% and 46% of the Target Company's revenue for FY2017 (approximately USD95 million) and the six months ended 30 June 2018 (approximately USD45 million) respectively were generated from independent third parties of the Company. Having considered the above, the Acquisition is expected to provide additional revenue to the Group in future and reduce the Group's proportion of revenue generated from the sales of natural uranium to CGNPC Uranium Development Company Limited and/or its subsidiaries.

Industrial outlook

For decades, nuclear energy has been considered an important option for ensuring global energy security, and it has recently started being promoted as a solution for climate change mitigation. Since nuclear power is demanding globally, many countries such as India, United States and the PRC are putting effort to develop nuclear power:

1. According to the World Nuclear Association ("**WNA**"), India has a largely indigenous nuclear power program. The Indian government is committed to growing its nuclear power capacity as part of its massive infrastructure development program. According to a news from BBC News dated 18 May 2017, the Indian government announced that India would build 10 heavy water reactors to boost its nuclear power capacity in 2017. It will also help produce clean energy.

2. According to WNA, the United States is the world's largest producer of nuclear power, accounting for more than 30% of worldwide nuclear generation of electricity. According to U.S. Energy Information Administration, for cost and technical reasons, nuclear power plants are generally used more intensively than coal-fired or natural gas-fired power plants. In 2017, the nuclear share of total U.S. electricity generating capacity was 9%, while the nuclear share of total electricity generation was about 20%.

3. According to WNA, the PRC has about 45 nuclear power reactors in operation, about 15 under construction and more about to start construction. It is the government's long-term target outlined in its Energy Development Strategy Action Plan 2014-2020 to reach 58 gigawatt electrical (GWe) nuclear capacity by 2020 (33.6 GWe at the end of 2016).

Given that uranium is the raw material for nuclear power generation, the prospects of the nuclear power field as indicated above may drive the demand of uranium in future.

In addition, we found statistics on uranium price published by UxC, LLC ("**UxC**") as set out below:

Uranium average spot price per pound (USD)

	2018	**2017**
January	21.88	24.50
February	21.38	23.00
March	21.05	23.88
April	21.00	22.63
May	22.73	19.60
June	22.65	20.15
July	25.78	20.20
August	26.30	20.13
September	27.50	20.33
October	27.95	20.08
November	29.10	23.13
December	Information not available	22.32

Source: UxC. According to UxC's website, UxC is one of the nuclear industry's leading market research and analysis companies. UxC offers a wide range of services spanning the entire fuel cycle with special focus on market-related issues. UxC was founded in March 1994 as an affiliate of The Uranium Exchange Company, in order to extend and provide greater focus to The Uranium Exchange Company's analytical and information services capabilities.

As depicted from the above table, the uranium average spot price decreased from USD24.50 in January 2017 to USD19.60 in May 2017. Afterwards, the uranium average spot price recovered to USD21.88 in January 2018. There was a slight sliding trend in the uranium average spot price from January to April 2018. Thereafter, the uranium average spot price increased significantly and reached USD29.10 in November 2018.

Having considered the above and the positive financial results of the Target Company for FY2017 and the six months ended 30 June 2018, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Sale and Purchase Agreement

Date

16 November 2018

Parties involved

(a) The Company (as the Purchaser); and

(b) China Uranium Development Company Limited（中國鈾業發展有限公司）(as the Vendor)

Assets to be acquired

The assets to be acquired under the Sale and Purchase Agreement are the Sale Shares, which represent the entire equity interest of the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Consideration

Pursuant to the Sale and Purchase Agreement, it has been agreed that the Consideration is USD8,553,800 and will be settled in cash by the Company.

The Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement with reference to the Valuation of USD8,553,800 of the Target Company.

The Valuation

To assess the fairness and reasonableness of the Consideration, we obtained the Valuation Report prepared under asset-based approach by the Valuer and noted that the value of 100% equity interest in the Target Company as at 30 June 2018 was approximately USD8,553,800.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company and the Vendor; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report. We noted that the Valuer (i) is a registered valuer under the Ministry of Finance of the PRC and State Administration of Industry and Commerce of PRC; and (ii) has experience in providing valuation services for listed companies in PRC and Hong Kong. Based on the information provided by the Valuer, the project coordinator and the project manager who are responsible for the Valuation Report have experience of around 19 years and 21 years respectively in providing valuation services. Their experience covers various industries. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Report. After reviewing the mandate letter, we also consider that the scope of work is appropriate and we are not aware of any limitation on the scope of work which might have a negative impact of the degree of assurance given by the Valuation Report. The Valuer also confirmed that they are independent to the Group, the Vendor and the Target Company.

We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in the Valuation Report in order for us to understand the Valuation Report. We noted from the Valuation Report that the Valuation Report was prepared by the Valuer in accordance with various requirements/standards, including the Asset Valuation Basic Standards as issued by Ministry of Finance of the PRC, the Asset Appraisal Law of the PRC and valuation standards published by the China Appraisal Society.

During the course of valuation, the Valuer (i) conducted inspection and verification to the Target Company (such as obtaining information required for the valuation business through enquiries, interviews, verifications and other means; understanding the current status of the valuation subject; and paying attention to the legal titles of the valuation subject); and (ii) collected and verified valuation information (such as examining sales contracts, invoices and purchase orders of the Target Company). As advised by the Valuer, the Valuer did not identify any circumstances which affects the verification of information. We also understand that the Valuer assumed that all basic information and financial information provided by the Target Company are true, correct and complete.

With reference to the Valuation Report, income approach, market approach and asset-based approach are three basic approaches for valuation. Upon our enquiry with the Valuer, we understood that for the purpose of the Valuation Report: (i) As the history of the Target Company's establishment is relatively short and it is impractical to accurately forecast the uranium price in future, it is impractical to forecast the sales volume and purchase volume of the Target Company in future. Hence, the income approach is not appropriate; (ii) The Valuer could not find comparable companies/ transactions from public information, market approach was considered not appropriate. As also confirmed by the Valuer, the asset-based approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice. Given the above, we did not consider other approaches to assess the Valuation.

The Valuation Report is set out in Appendix V to the Circular. During our discussion with the Valuer, we had not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Valuation Report.

Having considered that the Consideration equals to the Valuation, we are of the opinion that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

We noted that the Valuation represents a premium of approximately 42% to the net assets value of the Target Company as at 30 June 2018 (the "**NAV Premium**"). With reference to the Board Letter and the Valuation Report, the main reasons for the NAV Premium are: (i) the current assets was evaluated approximately USD1,347,000 higher than the book value, which is mainly due to the inclusion of the profits to be realized from the natural uranium inventories of the Target Company; and (ii) the intangible assets was evaluated approximately USD1,200,000 higher than the book value, which is mainly due to the fact that the valuation of the assets of the Target Company has included the profits to be generated pursuant to executed contracts (the "**Executed Contracts**") entered into by the Target Company (the "**Contractual Interests**") which were not reflected in its financial statements as at 30 June 2018.

With reference to the Valuation Report, for goods-in-stock (inventories), the actual numbers of goods-in-stock as at valuation base date was first confirmed pursuant to the books of accounts that are in line with the verification results and the assessed value was calculated after deducting management fees, finance costs and income tax expense based on the unit price agreed under the sales contract upon reviewing such sales contract for products. For our due diligence purpose, we obtained and discussed with the Valuer regarding the aforesaid calculation and we also obtained copies of sales contract/invoices which support the aforesaid unit price.

With reference to the Valuation Report, the assessed value of the Contractual Interests was calculated by sales revenue subtracting sales cost, management fees, finance costs and income tax corresponding to each of the contract. For our due diligence purpose, we obtained and discussed with the Valuer regarding the aforesaid calculation and we also obtained copies of (a) the Executed Contracts which stated sales volume and sales unit price (product of which is the sales revenue); and (b) contract/invoices which stated purchase volume and purchase unit price (product of which is the sales cost).

Nothing has come to our attention which causes us to doubt the fairness and reasonableness of the aforesaid calculations and the NAV Premium.

Having considered (i) the aforesaid main reasons for and the calculation of the NAV Premium; (ii) the Valuation Report was prepared by the Valuer in accordance with various requirements/standards, including the Asset Valuation Basic Standards as issued by Ministry of Finance of the PRC, the Asset Appraisal Law of the PRC and valuation standards published by the China Appraisal Society; and (iii) our assessment on the Valuation Report as set out above, the NAV Premium does not affect our assessment on the fairness and reasonableness of the Consideration.

Other terms of the Sale and Purchase Agreement are set out under the section headed "THE SALE AND PURCHASE AGREEMENT" of the Board Letter.

Taking into account the principal terms of the Sale and Purchase Agreement, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

3. Possible financial effects of the Acquisition

With reference to the Board Letter, upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial results.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Financial Information**") is included in Appendix IV to the Circular.

With reference to the 2018 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$1,897 million and HK$124 million as at 30 June 2018 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$2,699 million and HK$948 million respectively as if the Acquisition had been completed on 30 June 2018.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sale and Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) that the Sale and Purchase is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the IBC to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were set out in the relevant interim and annual reports of the Company posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cgnmc.com). Please also see below quick links to the relevant interim and annual report announcements:

- Interim report of the Company for the six months ended 30 June 2018 published on 26 September 2018 (pages 27 to 61):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0926/LTN20180926341.pdf

- Annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (pages 99 to 210):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0423/LTN20180423480.pdf

- Annual report of the Company for the year ended 31 December 2016 published on 20 April 2017 (pages 100 to 222):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN20170420280.pdf

- Annual report of the Company for the year ended 31 December 2015 published on 18 April 2016 (pages 80 to 213):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN20160418802.pdf

2. INDEBTEDNESS

As at 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$920.62 million. The indebtedness of the Enlarged Group was as follows:

(a) Unsecured borrowings

The Enlarged Group had outstanding unsecured borrowings of USD118.36 million (equivalent to approximately HK$917.89 million) and HK$2.75 million advanced from a fellow subsidiary and an intermediate holding company of the Enlarged Group respectively.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on the latest practicable date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2018, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2018, being the latest practicable date for determining Enlarged Group's indebtedness up to the date of this Circular.

3. WORKING CAPITAL

Taking into account the internally generated funds and the presently available credit facilities, the Directors are of the opinion that the Enlarged Group has, following the entering into of the Acquisition and the transactions contemplated thereunder, sufficient working capital for its present requirements for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Many uranium producers such as Cameco, Kazatomprom, Orano and Paladin had announced shutdown of producing uranium mines and/or large-scale production cuts for 2018. In contrary, some of them have been procuring from the spot market to fulfill their commitments under the sales contracts. Meanwhile, there have been unexpected demand rise from new plays such as Yellow Cake, created to purchase and hold uranium oxide. As a result, the supply over demand scenario in the global natural uranium market is better than expected which resulted in a fast increase in spot price indication in the third quarter of 2018. The Directors believe that the current market and the Target Company offers an unique opportunity to the Company which will contribute to the stabilize operations and promotion of the Company's business, and lead to creating value for Shareholders eventually. The Company is dedicating to seeking out and acquiring new resources to create a better foundation tier of natural uranium reserves on the basis of promoting the production and exploration plans of existing mines. The Company currently has no intention to make significant adjustment to the business model of the Target Company. The Board believes that the uranium market is on the upward trend in general, to fully capture such market potential and opportunities, the objectives of the Enlarged Group will include (i) maintaining its focus on the natural uranium trading business; and (ii) to maximise its market share, trading volumes and profits. To achieve such objectives, the Company will assist the Target Company to enlarge its market share in the East Asia region, including but not limited to Japan and South Korea etc., besides its traditional established regions such as Europe and North America. Furthermore, the Company would assist the Target Company to extend its customer base to utility customers so as to further diversify its sales channels and improve its sales prices. The Target Company will strengthen the marketing of the Company's future off-takes. Thus the Board valued the proposed deal as an endeavor to seize opportunities during this trough period in order to be well prepared for the next natural uranium price rise.

The Board expects the Acquisition will further strengthen the Enlarged Group's existing businesses by enlarging the Enlarged Group's client base and increasing the Enlarged Group's revenue in the long run. The Enlarged Group will continue to concentrate its resources on the core business segment, which is mining and trading of natural uranium. The Board believes that, in parallel with the Company's increase in its cost competitive off-take from its future uranium mining investments, the Target Company will broaden the global uranium market share, significantly increase the uranium sales volume.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or operating position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for the three years ended 31 December 2017 and the interim report of the Company for the six months ended 30 June 2018. Terms used below shall have the same meanings as defined in the aforesaid reports.

(a) For the six months ended 30 June 2018

Macroeconomic Environment

In general, the global economy showed a satisfactory development trend in the first half of 2018, and is expected to continue to recover in the second half of the year. In terms of major economies, the US economy maintained a good momentum of growth. Under a series of stimulus measures such as tax cuts, the US showed strong confidence in commerce and consumer, and its unemployment rate continued to decline. Despite the recent slow-down growth rate of the European economy, its various indicators performed well.

In the first half of 2018, China's economy maintained an overall stable development trend but faced new problems and new challenges as a result of the significant change of the external environment. Affected by the trade war between the US and China and a slowdown in residents' income growth, the growth of China's GDP may slightly slow down at the second half of 2018.

Nuclear Power Market and Industry Development

In the first half of 2018, the development of international nuclear power has improved. The nuclear power has been recognized by various countries as a basic energy source, but different policies were adopted in different countries. Among them, the Indian government was actively developing the nuclear power. According to the second quarterly report of Ux Consulting Company, LLC ("UxC", one of the leading consulting companies in the nuclear industry) in 2018, it is estimated that India will have nuclear power generating units with the installed capacity of 22.48 GWe (currently about 7 GWe) by 2031. Electricite de France (EDF) and Nuclear Power Corporation of India Limited (NPCIL) entered into an Industrial Way Forward Agreement in this March to implement six European pressurised reactors (EPRs) at Jaitapur, a western city of India. A budget act on extending the tax credits for nuclear power plants was passed by the US Congress in February this year, which will enable the US to continue to maintain its leading position in the field of nuclear energy. As early as the end of 2017, the French government announced to postpone its plan for reducing the share of nuclear power to 50% of the total energy supply. The implementation of the plan is expected to be delayed from 2025 to between 2030 and 2035. The Japanese government released a draft of the updated basic energy plan in May 2018. According to the plan, nuclear energy is called "an important basic energy" and the percentage of nuclear power over the country's power supply is expected to restore to 20-22% by 2030. Although the percentage is lower than the 28% of the nuclear power before the Fukushima nuclear accident, the release of the draft shows that the status of nuclear power in Japan's energy structure remains unchanged.

In addition, the development of China's nuclear power also showed signs of significant recovery. According to the "Energy Work Guideline Opinion for 2018" published by the National Energy Administration of the PRC in March 2018, China's installed nuclear generating capacity will be boosted by a total of approximately 6 GWe in 2018 with the construction of the Sanmen Unit 1, Haiyang Unit 1, Taishan Unit 1, Tianwan Unit 3 and Yangjiang Unit 5. The construction of six to eight new units is also scheduled. According to the information published by the China Nuclear Energy Association, the nuclear power generation reached 58.87 billion kWh in China in the first quarter of this year, representing an increase of 12.7% year-on-year. The power generation and year-on-year growth rate were both at a higher level in recent years. The representative event in the first half of 2018 was that unit 1 of the Taishan nuclear power plant was successfully connected to the grid and generated power on 29 June 2018, becoming the first third-generation EPR with grid connection and power generation in the world. In addition, Unit 1 of the Sanmen nuclear power plant was connected to the grid and generated power on 30 June 2018, becoming the first AP1000 reactor with grid connection and power generation in the world, which will facilitate the approval of subsequent new nuclear power projects.

With reference to previous data, the economical efficiency of nuclear power is positively correlated with oil prices, while international crude oil prices have continued to rise since 2016, which will play a positive role in the recovery of global nuclear power.

Natural Uranium Market Conditions

In the first half of 2018, despite the slight increase in the spot price of natural uranium, its supply generally exceeded the demand on the market. In the first quarter, due to reasons such as the uncertainty of Kazatomprom's production cut plan and US-based natural uranium producers appealed to increase the natural uranium purchase share of domestic nuclear power enterprises, which jointly caused some nuclear power companies slowing down the purchase schedule, the spot price of natural uranium went all the way down, recording a low price of USD21.10 per pound at the end of March. However, with the implementation of Kazatomprom's production cut plan for 2018, the dissemination of the news of the closure of the Namibian Langer Heinrich mine and the release of favorable news from the Energy Department of US to suspend the barter trade of natural uranium in 2018 and 2019, investment fund companies including Yellow Cake Plc began to purchase natural uranium on the market. The spot price of natural uranium began to rise in early April and reached USD22.55 per pound at the end of June, during which it peaked at USD23.68 per pound. In terms of trading volume, the monthly average trading volume of natural uranium on the spot market in the first half of 2018 exceeded 2,000tU, which was higher than the average of the past two years. It is expected that with the gradual easing of the imbalance between supply and demand in the market, the price of natural uranium will show a slow upward trend in the future.

Note: the natural uranium price data in the paragraph are derived from the UxC.

Summary of the Operation in the First Half of 2018

Reference is made to the Company's announcement dated 17 August 2018 relating to positive profit alert. During the six months ended 30 June 2018, the Group realized a net profit of HK$26.02 million, representing a significant improvement over the loss of HK$4.17 million as compared with the corresponding period of 2017; revenue of HK$177.37 million, representing a significant increase from HK$55.31 million as compared with the corresponding period of 2017. The significant increase in the Company's profit and revenue was mainly attributed to that (i) the planned trade volume was achieved during the six months ended 30 June 2018, which represents a substantial increase as compared to the corresponding period in 2017; and (ii) no provision was made for impairment of the long-term investment of Fission, while the provision of HK$24.03 million was made in the corresponding period in 2017.

Natural Uranium Trading

According to the natural uranium purchase and sale plan for 2018, half of the natural uranium was delivered during the six months ended 30 June 2018, and the remaining natural uranium will be purchased and sold on schedule.

Production and Operation of Semizbay-U

During the six months ended 30 June 2018, Semizbay-U's mining production of natural uranium was a total of 462 tons, representing a decrease of 87 tons as compared with the corresponding period of 2017, of which the natural uranium produced from the Semizbay Mine and the Irkol Mine were 184 tons and 278 tons respectively, representing a half year production planned completion rate of 101.4% and 100.6% respectively. During the six months ended 30 June 2018, the expenditure incurred on the production activities by Semizbay-U amounted to approximately USD23.58 million, including but not limited to procurement of raw materials, electricity consumption, depreciation on mining, remuneration for employees and taxation. Semizbay-U did not carry out any exploration activity during the six months ended 30 June 2018.

During the six months ended 30 June 2018, Semizbay-U realized a loss of USD2.38 million and our share of result of Semizbay-U amounted to a loss of HK$10.41 million, representing a decrease of 210.85% as compared with profit of HK$9.39 million recorded in the corresponding period of 2017.

Note: the abovementioned figures of Semizbay-U adopting the average exchange rate from January to June of 2018 for calculation, USD:KZT = 1:326.40.

Uranium Resource Exploration of Fission

During the six months ended 30 June 2018, Fission continued the winter exploration that commenced in January. 36 drills had been finished during the programme with a workload at 6,947 meters. The exploration cost was expected to be approximately CAD9.64 million. Achievements in this exploration include: (a) converted part of inferred resources in R780 area to indicated category and made preparation for pre-feasibility study report of the project; (b) expanded the scale of the ore body in 1515W section; (c) collected samples of engineering geological conditions at the mine.

Other Substantial Investment and Sale of Properties

During the six months ended 30 June 2018, the Group did not have substantial investment or sell any of its properties.

BUSINESS PROSPECT

From the view of the relationship between supply and demand in the overall natural uranium market, the imbalance between supply and demand has gradually eased, and the price of natural uranium is likely to rise slowly in the second half of the year. In this regard, we will ensure achieving the annual trade target to realize the revenue

We will strengthen the management and control of existing assets, ensure that the invested companies will achieve the operating target and avoid the negative impact of risk events on the operations of the Company through taking the role in the board of those companies. As for Semizbay-U, we will focus on the achievement of its annual production target and the control of production costs to ensure the sales volume of natural uranium and guarantee the investment income of the Company; as for Fission, we will pay close attention to the control of exploration cost, exploration progress, confirmation of exploration results and the subsequent preparation of preliminary feasibility study report.

With regard to the ongoing projects, we will spare no efforts to put projects into implementation while maximizing the Company's interests. During the year, we will strive to complete the acquisition of the Target Company to substantially expand the natural uranium international sales business. As for the new uranium mine project in Kazakhstan, we intend to organize mining experts and geological experts to conduct technical inspection in Kazakhstan in the second half of the year, so as to fully understand the production and resources of those two targeted uranium mine. In addition, the Company will continue to track high-quality uranium projects and strive for new merger and acquisition opportunities.

Events After the six months ended 30 June 2018

Potential Acquisition

Based on the development strategy of pursuing stable operation of existing assets while acquiring other projects with growth potentials, the Company entered into a non-legally binding Memorandum of Understanding with the Vendor on 20 July 2018, pursuant to which the Company intends to acquire the Target Company. Upon the completion, the transaction is expected to provide the Company with more alternative buy-in channels, thus allowing more flexibility for the future sales of natural uranium and exploring third party market.

Rise in price of natural uranium

Since 30 June 2018 until the date of this report, the spot price of natural uranium has maintained a upward trend, with the highest of around USD29 per pound.

FINANCIAL REVIEW AND FINANCIAL CAPITAL

Financial Performance and Analysis

Revenue

During the six months ended 30 June 2018, the Group recorded revenue of HK$177.37 million, representing a substantial increase of 220.69% as compared with the revenue of HK$55.31 million for the corresponding period of 2017. It was mainly due to the significant increase in sales volume of natural uranium.

Cost of sales

The cost of sales of the Group increased from HK$35.08 million for the corresponding period of 2017 by 276.86% to HK$132.22 million in the six months ended 30 June 2018. It was mainly due to the significant increase in sales volume of natural uranium.

Other Operating Income

During the six months ended 30 June 2018, other operating income of the Company amounted to HK$11.46 million, representing a decrease of 13.14% from HK$13.20 million as compared with the corresponding period of 2017, mainly due to the decline of foreign exchange gains. However, the interest income was increased during the six months ended 30 June 2018.

Administrative Expenses

During the six months ended 30 June 2018, the Company's administrative expenses amounted to HK$15.96 million, representing an increase of 12.78% from HK$14.15 million as compared with the corresponding period of 2017.

Share of Result of a Joint Venture

The joint venture of the Company is Semizbay-U. During the six months ended 30 June 2018, our share of result of the joint venture decreased from the profit of HK$9.39 million in the corresponding period of 2017 to the loss of HK$10.41 million. It was mainly due to the fact that a deposit of Semizbay-U in Qazaq Banki could not be withdrawn and thus impaired as the bank narrowed its business scale, both parties reached a compensation agreement on deposit loss in July.

Share of Result of an Associate

Fission is an associate of the Company, and our share of result of the associate in the six months ended 30 June 2018 increased from the loss of HK$29.29 million for the corresponding period of 2017 to a profit of HK$2.88 million, which included a reversal of long-term investment impairment of HK$7.00 million (the corresponding period of 2017: provision of impairment HK$24.03 million).

During the six months ended 30 June 2018, part of the share options granted by Fission to its directors and employees were exercised and 172,669 ordinary shares were issued, as a result, the equity interest in Fission held by the Company decreased to 19.91% (31 December 2017: 19.92%).

Income Tax Expenses

During the six months ended 30 June 2018, income tax expenses of the Company increased by 90.59% from HK$3.79 million for the corresponding period of 2017 to HK$7.21 million, mainly due to the significant increase in sales volume of natural uranium, which resulted in a substantial improvement in profit before taxation.

Profit for the Six Months Ended 30 June 2018

During the six months ended 30 June 2018, the Company's profit of HK$26.02 million as compared with a loss of HK$4.17 million for the corresponding period of 2017, mainly due to the significant increase in sales volume of natural uranium, which resulted in a substantial improvement in profit.

Total Equity

As at 30 June 2018, total equity of the Group amounted to HK$1,773.34 million, representing a decrease of 0.97% from HK$1,790.76 million as at 31 December 2017. During the Reporting Period, the Company's capital structure remained relatively stable and the gearing ratio (total debts/total equity) was 6.98% (30 June 2017: 11.45%).

FINANCIAL CAPITAL

Capital Structure

As at 30 June 2018, the Company had 6,600,682,645 ordinary shares in issue in total (31 December 2017: 6,600,682,645 ordinary shares), the market value of the Company was approximately HK$2,871.30 million (31 December 2017: HK$4,158.43 million).

Liquidity and Financial Resources

As at 30 June 2018, the Group did not have any bank borrowing (31 December 2017: nil) nor any convertible bonds available for conversion (31 December 2017: nil).

In order to manage liquidity risk, the Company monitors the cash and cash equivalents and the unutilized credit facility in real time. As at 30 June 2018, the Company has unutilised borrowing facility of USD300,000,000, which can be utilised to provide sufficient cash for the operation of the Company and lower the impact of cash flow volatility.

The Group has sufficient financial resources for daily operation and business and does not have seasonal borrowing demands. If any suitable acquisition opportunity arises in the future, the Group will utilize funds from diverse financing channels to meet project requirements.

Exposure to Foreign Exchange Risk and Currency Policy

During the six months ended 30 June 2018, the Group's sale and purchase of products were mainly settled in USD and RMB (corresponding period of 2017: USD and RMB). Daily expenses of the Company were mainly settled in HKD and RMB (corresponding period of 2017: HKD and RMB). The Group did not enter into any forward contracts, interest or currency swaps, or other financial derivatives for hedging purpose, nor did it experience any material difficulty or negative effect on its operations or liquidity as a result of fluctuations on currency exchange rates.

Contingent Liabilities

During the six months ended 30 June 2018, the Group had no material contingent liabilities (31 December 2017: nil).

External Guarantee and Pledge of Assets

During the six months ended 30 June 2018, the Group did not have external guarantee nor pledge any assets (31 December 2017: nil).

EMPLOYEE INFORMATION

As at 30 June 2018, the Group had 25 employees (30 June 2017: 22 employees), of which 15 were located in the PRC, 7 were located in Hong Kong and 3 were located in Kazakhstan. The Company's employee remunerations commensurate with performance and are comparable to the prevailing market rates. The Group treasures internal training of employees and also encourages staff to develop themselves on a continuous basis through external training programs, so as to improve their abilities to meet challenges and increase the market competitive edge of the Group. Total staff costs for the Reporting Period amounted to approximately HK$7.31 million (30 June 2017: approximately HK$7.19 million).

ASSETS AND INVESTMENTS

During the Reporting Period, the Group did not have any significant equity investment, major acquisition or disposal.

(b) For the year ended 31 December 2017

BUSINESS REVIEW

The Group is principally engaged in investment and trading of natural uranium resources. As at 31 December 2017, the Group held 49% of the equity interest and 49% off-take rights of products in Semizbay-U, as well as 19.92% of the equity interest in Fission. In 2017, the Company realised revenue of HK$373 million, and HK$52 million in profits attributable to owners of the Company.

Analysis of Business Environment

The nuclear power market and its industrial development

Currently, overall development of the international nuclear power industry has slowed down. In its 2017 report, WNA lowered the global installed capacity of nuclear power and demand for natural uranium based on its 2015 forecast and reduced the expected accumulated demand for natural uranium from 2018 to 2030 (middle term) from 1,024,467 to 958,759 tons, representing a decrease of 6.4%. In China, the development of nuclear power continues to be affected by the Fukushima nuclear accident. Influenced by the commissioning of the first AP1000 nuclear reactor (a third-generation nuclear reactor designed by Westinghouse Electric Corporation), the technological convergence of Hualong I (an advanced 1000 MW pressurised water reactor jointly researched and developed by the China National Nuclear Group and the CGN Group), and close state scrutiny of nuclear safety, no reactors were approved for construction during two consecutive years in 2016 and 2017.

However, we believe that China's general direction in nuclear power development remains unchanged. The report of the 19th National Congress of the Communist Party of China pointed out that China will build an energy sector that is clean, low-carbon, safe and efficient. As it is characterised by low resource consumption, marginal environmental impact and stable supply, nuclear power will undoubtedly be an important component of China's energy infrastructure. Therefore, in the long run, we remain confident about the development of nuclear power and the growth of demand for nuclear fuel.

Natural uranium market and its industry development

In 2017, the fundamental that global supply of natural uranium exceeding demand remained unchanged, the natural uranium price remained at low level but the trading volume increased. In the first three quarters of the year, the price of uranium maintained at a low level and the volume of trading shrank. However, in the wake of production cuts announced by three international producers of natural uranium (namely Orano, formerly known as Areva; Cameco Corp. and Kazatomprom), the price of natural uranium rebounded and trading volume increased significantly in the fourth quarter.

During the year, the monthly price of natural uranium in the international spot market fell to less than USD20/lb in May and October, but then rebounded after November to USD23.75/lb by the end of 2017. The monthly average price in the spot market was USD21.62/lb, representing a year-on-year decrease of 16.1%. The monthly average price in the long-term market was USD31.08/lb, representing a yearon-year decrease of 20.7%.

Note: The natural uranium price data in the paragraph are derived from the UxC.

BUSINESS PERFORMANCE AND ANALYSIS

During the year ended 31 December 2017, the Company continued to firmly implement the annual trading plan approved by the Board, to ensure the achievement of the revenue targets of principal business, and to optimize its management and control of existing assets.

Asset management

During the year ended 31 December 2017, based on the summary of the board and shareholders' meetings of Semizbay-U and its proposals in 2016, the Company conducted a comprehensive evaluation of its governance and control, put forward advice on the optimisation of the management and control, and specified various aspects of concern to the Company in the areas of corporate development strategy, decision-making, risk management and internal control in respect to the governance of Semizbay-U. In terms of Fission, the Company has implemented its governance through participation in the board of Fission by designated directors, and through financial supervision by designating a financial manager on site.

Production and operation of Semizbay-U

In early 2017, Kazatomprom announced that it would cut the production volume of the mines under its control by 10% in order to cope with the natural uranium market downturn. In 2017, the two mines of Semizbay-U operated satisfactorily, and the actual uranium production volume was 1,128 tons. Although there was a decrease of 9.18% as compared to the production of 1,242 tons in 2016, the annual mining targets were exceeded, of which 421 tons produced by Semizbay Mine and the remaining 707 tons by Irkol Mine. Semizbay-U did not conduct any further exploratory work during the year ended 31 December 2017.

Although the production volume of Semizbay-U decreased on a year-on-year basis, the Company's off-take of natural uranium for the year were not affected on the basis of negotiation between both parties. At the end of 2017, Kazatomprom announced a further 20% production cut for its mines between 2018 and 2020. It is expected that the production of Semizbay-U for the next three years will be correspondingly adjusted, and the Company will enhance communications with Kazatomprom and endeavour to maintain the off-take volume acquired from Semizbay-U at the same level as that prior to the production cut.

By adopting effective measures, the unit production cost of Semizbay-U maintained high market competitiveness which is significantly lower than the global average production cost of uranium mine in recent years.

As of 31 December 2017, the resources of Semizbay-U were as follows:

Table 1 – Uranium deposit reserves of Semizbay-U

Number	Name of mine (project)	Grade (%u)	Reserve (C1+C2) (tons of uranium)
1	Semizbay Mine	0.056	12,996
2	Irkol Mine	0.043	22,448

Note: According to Kazakh Classification System (CIS) standards, since the establishment of Semizbay-U in 2008, uranium reserves of the Semizbay Mine stood 17,108 tons, while uranium reserves of the Irkol Mine was 29,541 tons (relevant data extracted from the competent person's report prepared by Blackstone Mining Associates Limited in 2014). The existing reserve data is calculated based on the past reserve, less the cumulative uranium mining volume.

Exploration by Fission

During the year ended 31 December 2017, the expenditures on exploration of the PLS Project amounted to approximately CAD15 million, which included implementation of 72 drilling holes (3,480.4 metres). Fission successfully identified a new land-based ore body, R1515W, in the westernmost zone of Triple R deposit during its winter and summer exploration in 2017. The strike of the mineralized Patterson Lake tread lies in an east-west direction, and the length of which is approximately 3.17 km. From west to east, the high grade zones discovered includes R1515W, R840W, R00E, R780E and R1620E. Collectively they form the longest high-grade uranium metallogenic belt discovered in Saskatchewan, Canada, and it is also one of the biggest untapped high-grade uranium mines in the world. The current exploration results indicate that the resources of PLS Project still has high potential of growth in the future.

On 20 January 2018, Fission appointed an independent third-party technical advisor RPA Inc. ("RPA") to update the resources of PLS Project (Table 2) based on the exploratory data as at 4 January 2018. The total uranium resources announced were approximately 54,086 tons, which increased by approximately 30% compared to the estimated results issued by RPA in 2015. Among that, the indicated resources increased by approximately 8%, while inferred resources increased by approximately 95%. Comparing with the estimated results of RungePincock Minarco ("RPM"), the competent person at the time of acquisition of Fission, the total resource increased by 27%. Among that, the indicated resources decreased by approximately 8%, while inferred resource increased by approximately 95%. The estimated results in indicated resources of RPA have slightly decreased from those of RPM, which was attributable to: (i) in order to utilize the capital in a highly effective manner, Fission has established the exploratory policy to prior increase the inferred resource and no targeted exploratory plan was formulated to evaluate resource level since the completion of the acquisition of Fission; (ii) RPM adopted 0.25% as the ore cut-off grade when estimating the underground mining sector, while RPA adopted 0.3% as the ore cut-off grade; and (iii) different competent persons have different working experiences and knowledge about mineral deposit, which lead to a common phenomenon of inconsistent judgement on resources classification. Overall, the discrepancy of the resources estimation results of RPA and RPM stay within normal range. The significant increase in inferred resources of PLS Project indicated the potential resources growth.

Table 2 – Resources of PLS Project under Fission

		Indicated Resources		**Inferred Resources**	
Number	**Name of project**	**Grade (%U)**	**Tons of uranium**	**Grade (%U)**	**Tons of uranium**
1	PLS Project	1.54	33,757	1.53	20,329

Description of differences in calculation criteria and parameters of Kazakhstan and Canada mines reserves: in Kazakhstan and other countries of the Commonwealth of Independent States (CIS), mineral resources and reserves are classified according to the 1981 "System of Classification of Reserves and Resources of Mineral Deposits". This uses seven categories in three groups based on the level of exploration performed. Table 3 presents a 'best estimate' correlation of the Kazakh classification system (CIS) to the JORC standard definitions. The CIS system and the JORC system are not directly reconcilable. The primary reason is that the reserves in the CIS system equal to the resources in the JORC system. The reserves in the CIS system only related to geological reliability, whereas the resources in the JORC system not only related to geological reliability, but also related to the factors such as mining, metallurgical, economic, marketing, legal, environmental, social and governmental.

Table 3 – Correlation of CIS to JORC standard definitions

CIS Classification	**CIS Categories**	**JORC Resources**	**JORC Reserves**
Explored Reserves	A and B	Measured	Proven
Explored Reserves	C1	Indicated	Probable
Pre-assessment Reserves	C2	Inferred	
Prognosticated Reserves	P1, P2 and P3	Exploration Results	

Natural uranium trading business

As of 31 December 2017, most of the natural uranium products sold by the Company were sourced from self-owned mines of Semizbay-U, and the amount of natural uranium trading achieved HK$371 million, representing a 47% decrease compared to 2016 (2016: HK$706 million). Pursuant to the New Natural Uranium Sales Framework Agreement, the natural uranium transactions between the Company and CGNPC-URC are conducted under new pricing mechanism, namely a floor price and ceiling price with reference to the basis of market price. The selling price of natural uranium declined significantly compared to 2016 during the year ended 31 December 2017, resulting a 72% decrease in gross profits.

Developing new projects

Pursuant to the Mining Principles Agreement on the Joint Development of Kazakhstan Uranium Deposit and its supplemental agreement entered into by the Company, CGNPC, CGNPC-URC, Kazatomprom and UMP in 2016, the Company has conditionally selected the subject mines. In October 2017, Kazatomprom completed the integration of two subject mines and consolidated them into a mining partnership. The partnership made good progress in production and operation during the year ended 31 December 2017. Currently, the Company is taking forward the acquisition of uranium mines according to the above agreements and in connection with the progress of the fuel assembly plant constructed by CGNPC-URC and Kazatomprom in Kazakhstan.

The Company always be optimistic about the future development of the natural uranium market. As such, it endeavours to seize the favourable investment opportunities arising from the current downturn in the natural uranium market, and is proactively seeking uranium projects with cost competitiveness in the current market so as to further strengthen the Company's competitiveness in the industry.

Potential risks during operation and risk management

Risks of failing to identify the market cycle

Due to the difficulty of accurately predicting price trends for natural uranium and taking into consideration that excessive irrational investment and excessively conservative investment will adversely affect the Company's future development, the Company pays close attention to the analysis, research and price forecasting of the natural uranium market in order to provide an effective basis for the Board's decision-making. To this end, the Company has established an internal uranium price forecast system and dedicated posts for continually tracking the natural uranium market and monitoring industry dynamics which gives on-going price forecast support for business strategies, business operations, contract negotiations and project cooperation.

Risk of diluting the shareholding in Fission

As it represents a significant investment and mark of the Company's confidence, Fission has been a point of intense focus for the Company's management. Since the proportion of shareholdings involved in the investment is directly related to the Company's offtake rights of natural uranium products and the right to participate in the governance of Fission, the Company will endeavour to slow down its fund use appropriately by exerting its influence from the directors of Fission designated by the Company in future to ensure that Fission has sufficient cash flow to meet demand during the downturn of the natural uranium market. The Company will subsequently conduct a comprehensive analysis of the feasibility of further investment, combined with the actual progress and prospects of the project.

High proportion of connected transaction

Due to the narrow applications of natural uranium, its buyers are limited to the owners of nuclear power stations or international traders of natural uranium. As the CGN Group has a large demand for natural uranium of which only about 15% can be satisfied by the natural uranium products supplied by the Company, the off-take natural uranium products in the Company were fully supplied to the CGN Group currently, causing a high proportion of connected transactions in the Company's main business. To this end, the Company has been working to expand into third-party markets while intending to enhance its business scale and adjust its profit-making model through acquisitions of high-quality uranium mines. The Company additionally intends to exploit new markets through business combination.

Capital guarantee risk

In the current environment of depressed natural uranium prices, the Company will continue to track high-quality and high-grade uranium mine projects and acquire the same as and when appropriate. Taking into account the Company's future development demand for capital, it will formulate a sound capital and financing plan based on a reasonable assessment of the economic efficiency and feasibility of potential projects, and introduce new strategic partners as and when appropriate to jointly develop and operate them.

Major Acquisition/Disposal

Save as in this circular and the Acquisition, the Group has not entered into any material acquisitions after 31 December 2017, being the date to which the latest published audited accounts of the Company have been made up, and the aggregate remuneration payable to and benefits in kind receivable by the Directors have not been varied as a consequence of such material acquisitions.

BUSINESS PROSPECTS

Forecast of the natural uranium market

Combining analyses and forecasts from various international major institutions, the Company forecasts that the fundamentals of oversupply of natural uranium market will remain unchanged for years to come. In face of this market environment, the Company will maintain stable operations via such measures as controlling production costs and strengthening its management and control of risks.

Business Development

Operation of Semizbay-U and management and control of Fission

To ensure gains on its long-term equity investment in Semizbay-U, the Company will continue to participate in the project's operation and management and will ensure that it meets its annual production targets and controls the production costs of Semizbay Mine and Irkol Mine within the targets set by the board of Semizbay-U. At the same time, the

Company will assist Semizbay-U in its exploratory work and strive to complete the preparation of the exploration plan for the surrounding area of Semizbay Mine and the development plan for No. 4 and No. 5 mine belt of Irkol Mine in 2018.

Due to continuing discoveries of new land-based ore bodies, Fission's resources are expected to increase substantially. In the meantime, the board of Fission has considered conducting preliminary feasibility research on some of the shallow ore bodies in order to counterbalance the operational risks posed by the current low natural uranium prices. The Company will participate in the preparation and determination of Fission's annual exploration plan and give reasonable advice on its early technical plan for preliminary feasibility research by designated directors, in order to lay a good foundation for its exploration and development of subsequent projects in the long and medium-term.

Expanding new market and exploring new business

To control and reduce the risks from the single market and substantial fluctuations in natural uranium prices, and thus enhance market competitiveness, the Company will continue its efforts to expand the third-party trade of natural uranium in 2018 and will also demonstrate the feasibility of jointly establishing natural uranium commercial reserves and a natural uranium fund by introduction of strategic investors from the perspective of operation.

Promoting the acquisition of new projects

In 2018, the Company will continue to implement the new uranium deposit project in Kazakhstan and will reach its targets by phases. It also intends to continuously track other overseas uranium projects which have low costs and high quality, especially projects including the in-situ leachable sandstone-type uranium mines of Central Asia, and will contact potential targets in due course. In addition, the Company will seek to establish strategic partnerships with international uranium manufacturers and traders, and will study the feasibility of joint development of uranium deposit projects.

Enhancing maintenance of the investor relationship

The Company intends to further increase its investment in investor relationships to help investors better understand the characteristics of the industry and promote mutual understanding. This will be facilitated by regular roadshows, enhancing the quality of information disclosure, and adding professional information on the natural uranium industry and updating the Company's news on its website. The ultimate aim of these measures is to establish a smooth, bidirectional communication mechanism between the Company and capital markets.

Optimising corporate operations

The Company will further strengthen its internal controls and improve management efficiency through continuous optimization of its operation system by prioritization and refining of the departments' functions and the job responsibilities in 2018. Meanwhile, in order to strengthen the identification and monitoring of connected transactions and avoid default risks, the Company will also introduce a specific connected transaction management procedure to further perfect its connected transaction management.

FINANCIAL PERFORMANCE AND ANALYSIS

Financial results

As at 31 December 2017, the Group realized revenue of HK$373 million, representing a decrease of HK$335 million or 47% as compared to the revenue of HK$708 million in 2016; the Group realized profit of HK$52 million, representing a decrease of HK$337 million or 87% as compared to the profit of HK$389 million in 2016. Profit attributable to owners of the Company was HK$52 million, representing a decrease of HK$337 million or 87% as compared to the profit of HK$389 million in 2016.

The New Natural Uranium Sales Framework Agreement of the Group was approved by independent Shareholders on 29 December 2016, pursuant to which, a new pricing mechanism was implemented on the sales of natural uranium in 2017. Since the pricing mechanism is more closely tied to market fluctuations, the selling price of natural uranium decreased significantly for the year ended 31 December 2017 as compared with the corresponding period in 2016, resulting in a considerable decline in revenue and profit in 2017.

REVENUE

The revenue of the Group decreased by 47% to HK$373 million in 2017 as compared to the revenue of HK$708 million of 2016. It was mainly due to the implementation of the pricing mechanism of the New Natural Uranium Sales Framework Agreement by the Group since 2017, which is more closely tied to market fluctuations, resulting in a significant decrease in the selling price of natural uranium as compared with the corresponding period of 2016.

Cost of sales

The cost of sales of the Group decreased by 11% from HK$284 million in 2016 to HK$254 million in 2017. It was mainly due to the downturn of international natural uranium market, resulting in a slight decrease in the purchasing price of natural uranium of the Group for 2017 as compared with 2016.

Gross profit and gross profit margin of natural uranium trading

Influenced by the pricing mechanism under the New Natural Uranium Sales Framework Agreement, the Group's gross profit of natural uranium trading decreased by 72% from HK$421 million in 2016 to HK$117 million in 2017 and gross profit margin decreased from 60% in 2016 to 32% in 2017.

Other operating income

The other operating income of the Group increased by 172% from HK$7 million in 2016 to HK$20 million in 2017, mainly due to the increase of interest rate of deposit placed at CGNPC Huasheng during the year ended 31 December 2017 as compared to the corresponding period of 2016, causing significant increase in interest income.

Administrative expenses

Administrative expenses of the Group decreased by 17% from HK$41 million in 2016 to HK$34 million in 2017, mainly due to no consultancy fee during the year ended 31 December 2017 arising from the similar nature of the acquisition of equity interest in Fission as in the corresponding period of 2016, and the further implementation of cost reducing and efficiency improving measures by the Group in the downturn market environment.

Share of results of a joint venture

The major joint venture of the Company is Semizbay-U. The share of results of a joint venture decreased by 146% from the profit of HK$45 million in 2016 to the loss of HK$21 million in 2017, mainly due to the decrease in sales prices of natural uranium produced by the Semizbay-U as a result of the continuous downturn of international natural uranium market in 2017, and the production-cut measures implemented by Semizbay-U during the year ended 31 December 2017.

Share of results of an associate

The major associate of the Company is Fission. The share of results of an associate decreased by 149% from the profit of HK$33 million in 2016 to the loss of HK$16 million in 2017, including HK$9 million share of loss for the year ended 31 December 2017 and the HK$7 million provision of long term investment impairment.

During the year ended 31 December 2017, part of the share options granted by Fission to its directors and employees were exercised and 1,463,044 ordinary shares were issued, as a result, the equity interests in Fission held by the Company decreased to 19.92% (31 December 2016: 19.98%).

Finance costs

The Company did not incur any finance costs in 2017. Finance costs in 2016 amounted to HK$6 million, mainly due to that China Uranium Development exercised the conversion rights attached to the convertible bonds in respect of a principal amount of HK$300,000,000 at the conversion price of HK$0.23 per conversion share. As at 9 May 2016, all convertible bonds held by China Uranium Development were converted.

Income tax expenses

Income tax expenses decreased by 79% from HK$75 million in 2016 to HK$16 million in 2017, mainly due to the significant decrease in profit before taxation of the Company for 2017 as compared with 2016.

Profit for the year

Our annual profit significantly decreased from HK$389 million in 2016 to HK$52 million in 2017. It was mainly due to the decrease in trading profits of off-take products, the loss recorded by Semizbay-U and no one-off gain on bargain purchase arising from the acquisition of equity interest in Fission, an associate of the Company, in the year ended 31 December 2017 as compared to the corresponding period in 2016.

Total equity

As at 31 December 2017, total equity of the Group amounted to HK$1,791 million, representing a decrease of HK$26 million or 1% from HK$1,817 million as at 31 December 2016, mainly due to the distribution of final dividend of approximately HK$132 million in respect of the year ended 31 December 2016 during the Reporting Period. The Group's gearing ratio (total borrowings/equity attributable to owners of the Company) was 7% (2016: 4%).

Assets and investments

During the Reporting Period, the Group did not have any significant equity investment, major acquisition or disposal.

Investment orientation

According to business positioning and development strategy of the Company, the main investment direction of the Company is still to acquire overseas uranium resource projects with competitiveness and low cost. The Company will carry out relevant investment activities as and when appropriate to lay a solid foundation for the further development.

FINANCIAL CAPITAL

The Company adopts prudent capital and treasury policy and goals. During the year ended 31 December 2017, the Company's operating fund was mainly from the cash generated from operating activities. The capital needs requirements of the Company mainly come from the possible acquisition expenses of acquiring natural uranium resources and funds for operation.

The financing capacity of the Company is affected by multiple external and internal factors. In order to obtain financing on more favourable terms, the Company has to understand the external financing environment and adopts a reasonable financing model and strategies based on its structure of assets and liabilities.

The Company constantly pays close attention to the trends in the financial market, considers how to respond to internal and external financial risks, formulates reasonable financing model and strategies to ensure the safety and economical efficiency of financing, and adopts strict management measures for debt risks to prevent related risks exposed to the Company, and to facilitate the financial health and the development of core business.

Financing model

Given the complex and ever-changing financial market environment, the Company has been exploring diverse financing approaches and been striving to establish a financing model with combination of short, medium and long-term capitals, merges direct financing and indirect financing and other various financing channels to ensure the protection of stable fund. In the process of debt financing, the Company has taken a balanced approach to both costs and safety. The Company is committed to the pursuit of a competitive financing cost rather than the lowest one to ensure the security of financing and the quality of service received.

For projects with large amount of capital expenditures and sound expected returns, the Company will prudently consider using equity financing to balance risks and enhance Shareholders' value.

Types of financing products

Diversified financing varieties enable the Company to avoid from relying on a single financing channel, so as to ensure that the Company has choices in meeting the different capital needs.

On 18 December 2015, the Company (as borrower) and CGNPC Huasheng (as lender) entered into a loan agreement, pursuant to which the Company can borrow from CGNPC Huasheng for shortterm capital within the limit of total borrowing from time to time within 3 years of first withdrawal. As at 31 December 2017, the Company did not have any borrowing from external banks. If any suitable acquisition opportunity arises in the future, the Company can borrow from CGNPC Huasheng for short-term capital and raise funds from diverse financing channels to meet project requirements.

On 13 December 2016, the Company completed the placing of 659,400,000 new shares to Hong Kong Xinmao at a price of HK$0.52 per share and raised a fund of HK$342,888,000. The Company intended to use the fund in acquiring oversea uranium resources at a competitive cost under weak market conditions.

Capital structure

As at 31 December 2017, the Company had 6,600,682,645 ordinary shares in issue totally (31 December 2016: 6,600,682,645 ordinary shares), the market value of the Company was approximately HK$4,160 million (31 December 2016: HK$3,900 million).

FINANCIAL RISK MANAGEMENT

The development of the Group comes with various financial risks, such as debt risk and exchange rate risks.

Risk management of debt

As at 31 December 2017, there were no banking borrowings, other borrowings or interest-bearing liabilities of the Company, reserving more space for the Company to acquire overseas uranium resource projects through debt financing.

In order to manage liquidity risk, the Company closely monitors the cash and cash equivalents and the unutilized credit, to ensure a sufficient liquidity for the operation of the Company and to lower the effect from the cash flow volatility. Management of the Company will also keep an eye on the external borrowing, to ensure the sufficiency of borrowing credit. As at 31 December 2017, the Company has undrawn borrowing credit of USD300,000,000.

Exchange rate risk

The functional currency of the Company is USD. During the year ended 31 December 2017, the Group's sale and purchase of products were mainly settled in USD and RMB (2016: USD and RMB), while its cash was mainly denominated in USD and HKD (2016: USD and HKD).

Fluctuations in exchange rate of Tenge and CAD may have an impact on the Company's interest in Semizbay-U and Fission respectively.

For exchange rate risk management, the Company always targets to control cost rather than profitability. During the year ended 31 December 2017, the Group did not have any forward foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes, and the Group did not experience any significant difficulty or impact in its operation or liquidity due to the fluctuation in exchange rate.

CONTINGENCY EVENTS

External guarantees

During the year ended 31 December 2017, the Group did not have any external guarantee (2016: Nil). The Company did not provide any guarantee to its subsidiaries or other companies, nor allow subsidiaries to provide any form of guarantee to any entities or individuals without the approval of the Company.

Pledge of assets

During the year ended 31 December 2017, the Group did not have any pledge of assets (2016: Nil).

Contingent liability

As at 31 December 2017, the Group did not have any major contingent liability (31 December 2016: Nil).

Legal proceedings

The Company confirmed that there was no litigation, and it is not aware of any pending or threatened litigation against the Company which had or could have a material and adverse effect on the financial condition or results of operations of the Company during the year ended 31 December 2017.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 25 employees, 15 of these employees were located in China, 6 in Hong Kong, 3 in Kazakhstan and 1 in Canada. Total staff costs for the Reporting Period amounted to approximately HK$14.66 million.

Remuneration system

Combined with the characteristics of the industry, the Company constructed a competitive remuneration system which appeals to quality talents and motivates employees effectively. The remuneration system reflects the value of positions and individual contribution and encourages long-term service of employees, jointly striving for continuous growth and sustainable development of the Company and sharing the results of corporate development. Remuneration is mainly composed of monthly salary, performance bonus, over-time pay, allowance and subsidy and benefits.

Training resources

In close combination with business needs, and giving full play to our advantages, the Company has established a comprehensive training resources system for all the staff, covering management personnel, professional technicians and international talent reservation. Meanwhile, utilizing abundant teaching resources of CGN Group and sharing thousands of online courses within the CGN Group, it's available for staff to conduct self-learning and on-the-job training whenever needed, which effectively satisfies the rapid development and the need for talents of the Company.

(c) For the year ended 31 December 2016

BUSINESS REVIEW

The Group is principally engaged in natural uranium resources investment and trading. As at 31 December 2016, the Group holds 49% of the equity interest and 49% off-take rights of products in Semizbay-U as well as 19.98% of the equity interest in Fission. Meanwhile, the Kazakhstan new uranium project was conducted as scheduled.

For the year ended 31 December 2016, the Company realized revenue of HK$708 million and profit attributable to owners of the Company of HK$389 million, well achieving its plan and targets set at the beginning of the year.

Analysis of Business Environment

Nuclear power market and its industry development

According to China's "Thirteen-Five Power Development Plan", in 2020, the installed nuclear capacity of China has to reach 58,000,000 kW and the capacity under construction has to reach 30,000,000 kW, and it is expected that the installed nuclear capacity of China will reach 150,000,000 kW in 2030. Nuclear power units which were constructed during the Twelve-Five Period have been successively put into operation. In 2016, seven nuclear power units in total across the country were put into operation with a total installed nuclear capacity of 7,204.79 MWe, five among them belonged to the CGN Group, with an installed nuclear capacity of 5,465.79 MWe which accounted for 75.86%.

In addition, 65 countries along "One Belt, One Road" planned to install 126 nuclear power units by 2030, with a total installed nuclear capacity of 150,000,000 kW. In 2016, India, Sweden, Russia and other countries announced their plans for building new nuclear power plants. Nuclear power has become the representative of the "Go Out Policy" of China and the nuclear "Go Out" strategy of CGN Group also achieved great progress in 2016. On 29 September 2016, CGN Group and Electricité de France ("EDF" – French public utility) officially entered into certain cooperation agreements of new UK nuclear power project in London, which confirmed that CGN Group will invest in the UK Hinkley Point C project and Sizewell C project and invest in and control shares of the Bradwell B project. On 10 January 2017, the UK government announced that it accepted the generic design assessment of Hualong I ("GDA"). The activation of GDA marked a significant step of China's third generation nuclear power technology towards the implementation of the UK Bradwell B project.

With an increasing proportion of clean energy in the world and a stricter carbon emission standard, nuclear energy, as a clean and low carbon emission energy, will play a more important role in the global energy layout. Along with the operation of several nuclear power plants under construction and new developed nuclear power plants in China, as well as the implementation of nuclear energy "Go Out" strategy, domestic and international demands on nuclear energy are growing.

Natural uranium market and its industry development

In 2016, the supply of global natural uranium was greater than its demand and the fundamentals remained unchanged. The price of uranium maintained at a low level and trading volume further shrank. In 2016, the international price of natural uranium was weakened as a whole and was on downward trend. Throughout the year, the monthly average price of natural uranium in the spot market decreased from USD34.65/lb at the beginning of the year to USD20.25/lb in December, of which the decrease between September and October was relatively larger and the price fluctuated between USD17.75-20.25/lb. The monthly average price of the long-term market was USD38.83/lb, representing a significant decline as compared with 2015. Due to the decrease in spot prices, the price of long-term market started decreasing from October, and dropped to USD30/lb at the end of December.

BUSINESS PERFORMANCE AND ANALYSIS

During the year ended 31 December 2016, the Company continued to firmly implement the annual trading plan approved by the Board and ensured the achievement of revenues from principal business. In the meantime, the Company continued to optimize its management and control of the existing assets and, through more reasonable channels and management models, achieved its management goals. Also, the Company continued to enhance its cooperation with Kazatomprom and some progress was made during 2016.

Operating management and control of investment projects

As at 31 December 2016, the Company held 49% of the equity interest in Semizbay-U and 19.98% of the equity interest in Fission (as certain options granted by Fission to its internal staff and directors were exercised during the year ended 31 December 2016, total shares increased from 483,924,661 shares when acquisition took place to 484,187,994 shares, the equity interest held by the Group was diluted to 19.98% from 19.99%). Reserves of mines of Semizbay-U amounted to 36,774 tons of uranium while resources of projects of Fission, an associate, amounted to 43,609 tons of uranium.

Reserves of Semizbay-U and its production

In 2016, Semizbay-U produced 1,242 tons of natural uranium, representing an increase of 1.6% as compared with 2015 (2015: 1,222 tons). Of which, the actual production volume of uranium of Semizbay Mine was 500 tons while the actual production volume of uranium of Irkol Mine was 742 tons. During the year ended 31 December 2016, Semizbay-U did not conduct further exploration work.

Table 1 – Reserves of uranium deposits of Semizbay-U

Number	**Name of mine (project)**	**Grade (%u)**	**Reserve (C1+C2) (tons of uranium)**
1	Semizbay Mine	0.056	13,513
2	Irkol Mine	0.043	23,261

Note: According to the standard of the Kazakh Classification System (CIS), since the establishment of Semizbay-U in 2008, reserve of the Semizbay Mine was 17,108 tons of uranium while reserve of the Irkol Mine was 29,541 tons of uranium (relevant data was extracted from the competent person's report prepared by Blackstone Mining Associates Limited (mining and geological consultants) in 2014). The existing reserve data is calculated based on the past reserve, less the cumulative uranium mining volume.

Exploration of Fission

The PLS Property of Fission was located in Saskatchewan, Canada, with an exploration area of approximately 31,039 hectares. The Triple R deposit and high-grade uranium ore region with high development potential have already been discovered in the previous exploration. The PLS Property was still at an exploration stage and no products were produced.

The Triple R deposit is in east-west direction with a length of approximately 2.63 kilometers. From West to East, it is classified into four zones: namely R840W, R00E, R780E and R1620E. Currently, only resources of R00E and R780E were included in the estimation of resources while resources of R840W and R1620E were excluded. Fission will continue to promote the exploration work of the PLS Property as scheduled so as to update its estimation of resources at the earliest possible time.

During the year ended 31 December 2016, expenditures on exploration of the PLS Property amounted to approximately CAD19 million, which including implementation of 91 drilling holes and completion of 28,200 meters' exploration. Certain achievements were accomplished in the exploration progress (details of which were promptly announced by Fission) and it is expected that the mining resources will largely increase, so as to further improve the economical-efficiency of the project.

Table 2 – Resources of projects under Fission

		Resources under control		**Estimated resource**	
Number	*Name of project*	*Grade (%U)*	*Tons of uranium*	*Grade (%U)*	*Tons of uranium*
1	PLS Project	1.4	37,302	1.14	6,307

Note: Same as the JORC (the Australasian code for reporting of exploration results, mineral resources and ore reserves) resources (including R600W zone) estimated by the technical adviser, Runge Pincock Minarco, in respect of such uranium deposit when investing in Fission. in 2016.

Description of differences on calculation criteria and parameters of Kazakhstan and Canada mines reserves: In the Kazakhstan and other countries of the Commonwealth of Independent States (CIS), mineral resources and reserves are classified according to the 1981 "System of Classification of Reserves and Resources of Mineral Deposits". This classification system uses seven categories in three groups based on the level of exploration performed. Table 3 presents a 'best estimate' correlation of the Kazakh classification system (CIS) to the JORC standard definitions. The CIS system and the JORC system are not directly reconcilable. The primary reason is that the CIS system does not rely on a high-degree drill hole spacing to categorize or classify the resources and reserves. JORC classification requires a high degree of reliable and factual data on not only the mineralization grade but also the geological and geotechnical aspects, as well as hydrogeology and significant economic factors to develop reliance on the assessed data and mineralization from which a classification can be derived.

Table 3 – Correlation of CIS to the JORC standard definitions

CIS Classification	CIS Categories	JORC Resources	JORC Reserves
Explored Reserves	A and B	Measured	Proven
Explored Reserves	C1	Indicated	Probable
Evaluated Reserves	C2	Inferred	
Prognosticated Reserves	P1, P2 and P3	Potential	

Asset management

During the year ended 31 December 2016, regarding to the management of Semizbay-U, the Company formulated an optimization solution of management and control by various channels such as holding seminars. The optimization solution divided the duties of its assigned team (the "Assigned Team", including the chief financial officer, deputy manager of the financial department, deputy manager of the business planning department, senior engineer of the production technology department of Semizbay-U) and relevant departments of the Company which were engaged in operation and management of the asset of Semizbay-U. Also, through the optimization solution, the Company has sorted out three management and control lines among board of shareholders' level, board of directors' level and the Assigned Team, so as to ensure the accomplishment of its management and control target. In addition, the Company formed a specific management and control solution for Fission as well, which was implemented through our two directors in the board of directors of Fission.

In order to optimize the management and reduce costs, during the year ended 31 December 2016, the Company has deregistered a subsidiary, namely Ever Jump Limited, which did not carry out any business over the past three years.

Natural uranium trading business

In 2016, all of the natural uranium products sold by the Company were sourced from self-owned mines of Semizbay-U, the natural uranium trading amount achieved HK$706 million, representing an increase of 1% as compared to 2015 (2015: HK$700 million). As at 31 December 2016, gross profit from natural uranium trading business was approximately HK$421 million, representing an increase of 50% as compared to the gross profit of HK$280 million for 2015.

Since the original natural uranium sales framework agreement has expired on 31 December 2016, the Company has obtained the approval from shareholders for the continuing connected transactions under the New Natural Uranium Sales Framework Agreement during the year ended 31 December 2016. The natural uranium transactions between the Company and CGNPC-URC in the coming three years will be conducted subject to such framework agreement. With reference to the basis of market price, the New Natural Uranium Sales Framework Agreement adopted a floor price and ceiling price mechanism, which aims at achieving interest and risk sharing with the owners of nuclear power plants.

Developing new projects

During the year ended 31 December 2016, the new uranium deposit developing project between the Company and Kazatomprom has made further progress, subject to certain fulfillment of conditions. On 4 October 2016 and 6 December 2016, the Company entered into the “Mining Principles Agreement on the Joint Development of Kazakhstan Uranium Deposit” and its supplemental agreement respectively with Kazatomprom. Accordingly, both parties have selected the mine for their jointly-developed uranium deposit project in Kazakhstan and agreed on the Group’s participatory interest in the mining partnership (the partnership which was incorporated for joint development of uranium deposits) to share on balance reserves of 19,600 tons of uranium with an undertaking volume of not less than 20,000 tons of uranium (the excess part which is beyond the share on balance reserves of the Company will be available to the Company from the entitlement of the off-take volume of Kazatomprom).

Placement and the New Financial Service Framework Agreement

On 8 November 2016, the Company and Hong Kong Xinmao entered into a share subscription agreement. Pursuant to such agreement, Hong Kong Xinmao subscribed for 659,400,000 ordinary shares of the Company at a price of HK$0.52 per share (closing price being HK$0.63 per share on 8 November 2016). The aggregate nominal value of the subscription shares is HK$6,594,000. Upon completion of such transaction, Hong Kong Xinmao held 9.99% of the issued share capital of the Company as enlarged by the issue of shares and became the second largest shareholder of the Company. The proceeds raised in the issue of subscription shares, after deduction of the related expenses, amounted to approximately HK$340 million (representing a net subscription price of approximately HK$0.5153 per share), which will be used for acquiring uranium from overseas at competitive costs during market downturn in the future. As at 31 December 2016, the net proceeds had not been utilised and will be utilised as intended. For more details, please refer to the announcement of the Company dated 9 November 2016.

Since the original financial service framework agreement has expired on 31 December 2016, the Company and CGNPC Huasheng entered into the New Financial Service Framework Agreement. Such agreement was approved at the EGM for a term commencing from 1 January 2017 to 31 December 2019 (both days inclusive). The New Financial Service Framework Agreement, to a maximum extent, ensures a safe finance of the Company and reduces its financial costs.

Major Acquisition/Disposal

On 27 January 2016, the Company completed the acquisition of 19.99% of the equity interest in Fission. The Company subscribed for 96,736,540 ordinary shares of Fission at a price of CAD0.85 per share. Pursuant to share subscription agreement, the Company obtained 20% of the annual production volume of the PLS Property acquired from Fission at a discount rate of 5% of the average spot price index published by Trade Tech, Inc. (Trade Tech of Denver Tech Center) and UxC (the LCX Consulting Company, LLC) and the Company may acquire an additional 15% of off-take rights of the annual production volume of the PLS Property.

Potential risks during operation and risk management

Risks of single supplier and single customer

During the year ended 31 December 2016, all supply of the Company's natural uranium is from the exercise of the off-take rights of Semizbay-U; on the other hand, because of Chinese import restriction on natural uranium and the strong demand from nuclear power plants owners of CGN Group, all natural uranium products are selling to CGNPC-URC (one of the few companies which holds the import and export permits of natural uranium in the PRC), resulting in the risks of relying on single supplier and single customer to the Company.

In respect of the risk of single supplier, the Company aims to cultivate its purchasing ability of natural uranium from other channels, to ensure that once Semizbay-U cannot provide sufficient supply due to operation difficulties, the Company can promptly activate its emergency mechanism to offer sufficient sales to its customer.

In respect of the risk of relying on single customer, the Company obtained a written commitment from CGNPC-URC for its procurement priority. The sales volume of the Company only take a very small proportion of the annual consumption volume of the nuclear power plants of the CGN Group. Therefore, the Company will not be exposed to the risk of non-performance of the procurement commitment by CGNPC-URC.

Risk of fluctuation in foreign exchange rate

The major investment assets of the Company are located at Kazakhstan and Canada, fluctuation of local currencies will cause material effects on the recognition of investment interests of the Company. Thus, the Company will continue to pay close attention to and assess the impacts of the risk of exchange rate.

BUSINESS PROSPECTS

Forecast of the natural uranium market

In 2016, spot prices of natural uranium kept decreasing from USD34.65/lb in January to USD17.75/lb in November. Despite a slight rebound to USD20.25/lb in December, the entire decline trend of prices remained unchanged. The price of the long-term market also dropped from USD44.00/lb at the beginning of the year to USD30.00/lb at the end of the year. Combining all analysis reports released by major institutions, the Company forecasts that the oversupply trend in the natural uranium market will continue in short term and the price of natural uranium in 2017 will maintain at a low level and with downside potential. Due to the production reducing plans of large-scale producers, the market price in early 2017 may rebound temporarily. However, the downward trend for the year will not change. It is expected that the market will be still at a destocking stage in the coming years, and uncertainty still exists in the recovery of Japan's nuclear power. Although part of manufacturers reduced their production which may lead to a slightly increase of the price level as compared with the current stage, the entire market may still be sluggish. In face of such market environment, the Company will adopt measures for controlling production costs and strengthen its management and control of risks, so as to maintain its stable operation.

Focusing on the reversal timing of natural uranium market and grasping opportunities for acquiring new projects

The Company will continuously pay great effort in market research and pay close attention to the price trend of natural uranium. On the one hand, the Company will explore new business model of foreign trade of natural uranium under the circumstances where risks are controllable; on the other hand, the Company will continue to focus on oversea uranium projects which have low costs and with high-quality, especially taking the in-situ leachable sandstone-type uranium mines in Central Asia and high grade uranium mines in Canada as its main targets. In the meantime, the Company will be active in establishing strategic partnership with famous international uranium manufacturers and traders and will capture opportunities for developing uranium mines according to its established strategies, in order to make full preparation before the reversal of the natural uranium market and to avoid missing opportunities.

Enhancing the management of investor relationship

The Company will further enhance its management of investor relationship, so as to build up good reputation of an honest, responsible and regulated image in the capital market. As for information disclosure, save for statutory disclosure, the Company will also make voluntary disclosure in order to increase the transparency of corporate information. As for communication with institutional investors, the Company will pay visits to key institutional investors regularly to inform them of the Company's latest operating status and procure the Company to be placed on the investment lists of institutional investors and attract the institutional investors to become our shareholders in the secondary market. As for communication with securities institutes, we will actively invite various brokerages to track CGN Mining for preparing research reports.

Optimizing corporate operation and governance structure

In 2017, the Company will optimize its operation, reduce operating costs and enhance management efficiency according to its business development needs. Regarding to the management and control of joint stock subsidiaries, the Company will release the monthly report of those joint stock subsidiaries within the Company regularly, conduct preliminary reviews of papers regarding the issues to be proposed at shareholder's meetings and board meetings, especially focusing on financial information research and pay close attention to financial budget, dividends and cost control issues. The Company will also endeavor to attract institutional investors so as to optimize its shareholders' structure, which will be beneficial to the long-term development of the Company.

Operation and management of the Company

The Company positions as the sole overseas uranium exploration, investment and financing platform for CGN Group, and it will continue to optimize its asset portfolio by taking full advantages of the capital market. Through establishing a reasonable and high-quality uranium resources project foundation, the Company aims to enhance its position and bargaining power in the industry, and strive for a growth in shareholder value ultimately.

In 2017, the Company will adhere to its three operation and management strategies of "stabilizing operations, striving for development and strengthening the management" to carry out its business:

In stabilizing operations, the Company will strengthen its management and control of Semizbay-U so as to achieve its goals of costs control, production volume and profitability of Semizbay-U and to ensure the realization of the off-take targets of the Company itself for the year. As for Fission, the Company will, through its influence on the board of Fission and the online financial audit, procure Fission to control its expenses and maintain capital reserve so as to cross over the "winter" and welcome the "spring" in the market.

In striving for development, the Company will implement the new uranium deposit project in Kazakhstan as scheduled and reach its targets by phases. In the meantime, the Company will track and select high-quality uranium deposits in rich uranium oversea regions and focus on high-quality projects in Central Asia and Canada.

In strengthening the management, firstly, the Company will formulate a comprehensive incentive scheme for staff, so as to support the business development of the Company; secondly, the Company will strengthen its management of the operating plan and improve its risks assessment, so as to ensure the implementation of its operating plans and risk management and control measures. During the Thirteen-Five Period, the major development goal of the Company is to become an influential natural uranium supplier and the Company will move towards such goal.

FINANCIAL PERFORMANCE AND ANALYSIS

Financial results

As at 31 December 2016, the Group realized revenue of HK$708 million from continuing businesses, representing an increase of HK$5 million or 1% as compared to the revenue of HK$703 million in 2015; the Group realized profit of HK$389 million, representing an increase of HK$91 million or 31% as compared to the profit of HK$298 million in 2015. Profit attributable to owners of the Company was HK$389 million, representing an increase of HK$91 million or 31% as compared to the profit of HK$298 million in 2015.

REVENUE

The revenue of 2016 of the Group increased by 0.62% to HK$708 million as compared to the revenue of HK$703 million of 2015. It was mainly due to the slight increase in the selling price of natural uranium of the Group for 2016 as compared with 2015.

Cost of sales

The cost of sales of the Group decreased by 32.42% from HK$421 million in 2015 to HK$284 million in 2016. It was mainly due to the significant decrease in the purchasing price of natural uranium of the Group for 2016 as compared with 2015.

Other operating income

The other operating income of the Group decreased by 58.82% from HK$17 million in 2015 to HK$7 million in 2016, mainly due to the decrease in interest income generated since the fund paid upon the settlement for the acquisition of Fission, decrease in trade deposit interest income from a joint venture and no interest charging on overdue trade receivable.

Administrative expenses

Administrative expenses of the Group increased by 32% from HK$31 million in 2015 to HK$41 million in 2016, mainly due to the inclusion of the administrative expenses of Beijing Sino-Kazakh in 2016, while only part of its monthly administrative expenses were included in 2015.

Share of results of a joint venture

Our joint venture is Semizbay-U, and our share of results of a joint venture increased from the profit of HK$5.36 million in 2015 to the profit of HK$44.58 million in 2016.

Share of results of an associate

The associate of the Company is Fission. On 27 January 2016, the Company completed the acquisition of 19.99% of the equity interest in Fission and shared its results of HK$33.28 million in 2016.

Finance costs

The finance costs of the Company decreased by 73% from HK$22 million in 2015 to HK$6 million in 2016. The main reason is that China Uranium Development exercised the conversion rights attached to the convertible bonds in respect of a principal amount of HK$300,000,000 at the conversion price of HK$0.23 per conversion share on 9 May 2016.

Income tax expenses

Income tax expenses increased by 50% from HK$50 million in 2015 to HK$75 million in 2016, mainly due to the increase in profit before taxation of the Company for 2016 as compared with 2015.

Profit for the year

Our annual profit significantly increased from HK$298 million in 2015 to HK$389 million in 2016. It was mainly from the increase on trading profits of off-take products and share of results of a joint venture and the gain on bargain purchase from the acquisition of an associate.

Total Equity

As at 31 December 2016, total equity of the Group amounted to HK$1,817 million, representing an increase of HK$1,057 million or 139.13% from HK$760 million as at 31 December 2015, mainly attributable to (i) trading profits from off-take products; (ii) gain on bargain purchase from acquisition of an associate; (iii) the facts that China Uranium Development exercised its conversion rights of the convertible bonds in an amount of HK$300,000,000 at a conversion price of HK$0.23 per conversion share and the Company allotted and issued 1,304,347,826 conversion shares to China Uranium Development; and (iv) the fact that the Company placed 659,400,000 new shares to Hong Kong Xinmao at a price of HK$0.52 per share.

Due to the decrease in liabilities, the Group's gearing ratio (total borrowings/equity attributable to owners of the Company) dropped to 4% (2015: 51%).

FINANCIAL CAPITAL

Financial assets and analysis

The Company adopts conservative capital and treasury policy and goals. During the year ended 31 December 2016, the Company's operating fund was mainly from the cash generated from operating activities and the consideration in received from the placement to Hong Kong Xinmao.

The capital needs requirements of the Company mainly comes from the acquisition expenses of acquiring natural uranium resources and funds for operation. During the year ended 31 December 2016, the Company has paid the consideration of CAD82.2 million to Fission for acquiring 19.99% equity interest. Since the Group had sufficient capital, such transaction was funded by its own capital and without any financing arrangement. Once suitable opportunities for acquisition arise in the future, the Group can obtain short-term borrowings from CGNPC Huasheng and also raise long-term funds through diverse financing channels to meet the needs of the project.

The financing capacity of the Company is affected by on multiple external and internal factors. In order to obtain financing on more favourable terms, the Company have to understand the external financing environment, adopt a reasonable financing model and strategies and strict management measures for debt risks.

External financing environment

The Company will continue to pay close attention to the trends in the financial market, consider how to respond to internal and external financial risks and adopt effective preventive measures for further safety of fund and financing, in order to facilitate financial health and development of core business of the Company.

Financing model

Given the complex and ever-changing financial market environment, the Company has been exploring diverse financing approaches and strive to establish a financing model with combination of short, medium and long-term capitals, merges direct financing and indirect financing and with various channels to ensure the stable fund security. In the process of debt financing, the Company has followed the principle of considering both costs and safety. The Company is dedicated to seeking competitive financing cost but does not take the lowest financing costs as its only goal in order not to damage financing security and the quality of service received.

Types of financing products

Diversified financing varieties enable the Company to avoid from relying on a single financing channel, so as to ensure that the Company has choices in meeting the needs of different types of capital.

On 18 December 2015, the Company (as borrower) and CGNPC Huasheng (as lender) entered into a loan agreement, pursuant to which the Company can borrow from CGNPC Huasheng for shortterm capital within the limit of total borrowing from time to time within 3 years of first withdrawal. As at 31 December 2016, the Company did not have any borrowing from external banks.

On 13 December 2016, the Company completed the placing of 659,400,000 new shares to Hong Kong Xinmao at a price of HK$0.52 per share and raised a fund of HK$342,888,000. The Company intended to use the fund in acquiring oversea uranium resources at a competitive cost under weak market conditions.

Exchange rate

During the period, the Group's sale and purchase of products were mainly settled in USD and RMB (2015: USD and RMB), while its cash was mainly denominated in USD and HKD (2015: USD and HKD).

In 2016, the Group did not have any forward foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes, and the Group did not experience any significant difficulty or impact in its operation or liquidity due to the fluctuation in exchange rate.

Capital structure

As at 31 December 2016, the Company had 6,600,682,645 ordinary shares in issue totally (31 December 2015: 4,636,934,819 ordinary shares), the market value of the Company was approximately HK$3,900 million (31 December 2015: HK$2,800 million).

Risk management of debt

As at 31 December 2016, there were no banking borrowings or other borrowings of the Company. The Company did not provide security for subsidiaries or other companies, and subsidiaries are also not allowed to provide security of any form for any unit or person, without the approval of the authority department of the Company.

In order to manage liquidity risk, the Company formulates a comprehensive system to monitor the cash and cash equivalents and the unutilized credit level of the Company, to ensure a sufficient liquidity for the operation of the Company and to lower the effect from the cash flow volatility. Management of the Company will also keep an eye on the external borrowing, to ensure the sufficiency of unutilized borrowing credit. As at 31 December 2016, the Company has undrawn borrowing credit of USD300,000,000.

Dividend distribution

The Board recommended a payment of final cash dividend of HK$0.02 per share for the year ended 31 December 2016 to shareholders of the Company as of the record date for payment of dividend on 20 June 2017 (Tuesday). The ratio of final dividend distribution for the year is based on the various factors such as business performance in 2016. The Company will also take into consideration the Company's business performance, future developing strategies and other factors for the relevant year when determining the dividend distribution ratio for such year, provided that it shall not be lower than 20% of the distributable net profit of the continuous business for such year.

CONTINGENCY EVENTS

External guarantees

In 2016, the Group did not have any external guarantee (2015: Nil).

Pledge of assets

In 2016, the Group did not have any pledge of assets (2015: Nil).

Contingent liability

As at 31 December 2016, the Group did not have any major contingent liability (31 December 2015: nil).

Legal proceedings

The Company confirmed that there was no litigation, and it is not aware of any pending or threatened litigation against the Company which had or could have a material and adverse effect on the financial condition or results of operations of the Company during the year ended 31 December 2016.

Compliance with laws and regulations

For the year ended 31 December 2016 and up to the date of this report, to the knowledge of the Directors, the Group complied with applicable laws, rules and regulations in all material aspects.

HUMAN CAPITAL

As at 31 December 2016, the Group had 23 employees, 17 of these employees were located in China and 6 in Hong Kong. Total staff costs for the Reporting Period amounted to approximately HK$14.75 million.

Remuneration system

By incorporating industry features, the Company constructed a competitive remuneration system which appeals to quality talents and motivates employees effectively. The remuneration system reflects the value of positions and individual sharing and encourages long term service of employees, jointly striving for continuous growth and sustainable development of the Company and sharing the results of corporate development. Remuneration is mainly composed of monthly salary, performance bonus, over-time pay, subsidies and benefits.

Training resources

The Company has a comprehensive training system, providing various earnings, covering executive development program, cultivation and reservation for key positions, developing staff's general ability and etc, within which 12 courses for basic knowledge of nuclear fuel were developed, including aspects of the whole industrial chain from mining, smelting, assembly of final uranium products to the disposal of spent fuel. There are also 35 online courses, covering workplace technique, business communication and safety culture. These courses meet the Company's needs for rapid talent development effectively.

(a) For the year ended 31 December 2015

BUSINESS PERFORMANCE AND ANALYSIS

CGN Mining and its subsidiaries (the "Group") are principally engaged in natural uranium trading and other investment. At present, the Group owns the entire equity interest in Beijing Sino-Kazakh Uranium which in turn holds 49% equity interest in Semzibay-U and owns 49% of the sales rights of the off-take quantity of mineral products. Also, in order to expand the layout of high-grade uranium ore region in Canada so as to increase the control of the resources, the Company started the acquisition of 19.99% equity interest in Fission in Canada in 2015.

Analysis of Business Environment

In 2015, global economy was volatile and the prices of commodities decreased to a new low in recent years. International natural uranium price has been decreased since the second half of 2007, and maintained at about United States dollars ("USD") 40 per pound in recent years, also the supply of uranium resources is sufficient in the world. The natural uranium price remained low during the whole year of 2015.

By following the operational strategy decided at the beginning of 2015, namely to strengthen the management foundation, to grasp opportunity for business expansion, to be well-prepared for every chance and to stablize operation, the Company achieved the expected business goal for the year.

OPERATION PERFORMANCE AND ANALYSIS

Capital Operation

Completing the disposal of pharmaceutical, food and main part of real estate businesses

In March 2015, the Company disposed Yugofoil Holdings Limited and its subsidiaries ("Yugofoil Group") and discontinued the business of pharmaceutical, food and main part of real estate. The relevant businesses are disposed to an independent third party, and brought a one-off gain to the Company.

Completing the acquisition of 100% equity interest in Beijing SinoKazakh Uranium

In April 2015, the Company completed the acquisition of 100% equity interest in Beijing Sino-Kazakh Uranium which in turn indirectly holds 49% equity interest in Semizbay-U and 49% of its sales rights of the off-take quantity of mineral products. Semzibay-U owns and operates two quality and low-cost uranium mines: Irkol Mine ("Irkol Mine") and Semizbay Mine ("Semizbay Mine"). As the overseas uranium resources development platform of CGNPC, the Company successfully completed the core assets construction, and the principal operation successfully transformed to uranium resources development and trading of natural uranium. Along with the injection of high-quality assets, operation results of the Company improved significantly, and profitability is greatly enhanced in 2015.

Deepen the cooperation with partners of Kazakh parties

In 2015, the Company, CGNPC, CGNPC-URC, National Atomic Company Kazatoprom ("Kazatomprom") and Ulba Metallurgical Plant ("UMP") signed the "Commercial Term Agreement in relation to the design and establishment of fuel component production factory in Kazakhstan and the joint development of Kazakh uranium", which showed the cooperation intention of the Company and partners of Kazakh parties. Among which, Kazatoprom is the controlling shareholder which holds 51% equity interest in Semzibay-U.

Kazakhstan is the region where the Company has been paying attention to because of its low-cost and high-quality large in-situ leaching uranium mine which provides significant production cost advantages. Promoting and implementing the cooperation with Kazakh parties will be the focus of the Company during 2016-2020 ("Thirteen-Five Period").

Acquisition of 19.99% equity interest in Fission in Canada

In order to expand the layout of high grade and quality uranium resources in the world and the scale of control to the uranium resources, and based on the analysis of the current international natural uranium industry and the judgement to the natural uranium market, the Company formally entered into the acquisition of 19.99% equity interest in Fission, a Canadian Company, in 2015. Patterson Lake South project ("PLS Project") of Fission is the world third largest high quality uranium deposit and the world largest undeveloped uranium deposit.

In December 2015, the Company and Fission signed "Investment Letter of Intent" in respect of subscription of 19.99% equity interest in Fission. Pursuant to the "Investment Letter of Intent", CGN Mining shall subscribe for 96,736,540 common shares of Fission, at a price of Canadian dollars ("CDN$") 0.85 per share (the "Subscription"). Through the Subscription, CGN Mining becomes the single largest shareholder of Fission, and can purchase from Fission sale rights of 20%-35% of annual production at a discount.

After the completion of the Subscription, the Company, as a strategic investor and the largest shareholder of Fission, will share the profits arising from its development in the future, and achieved a stable product supply channel. In the future, the Company will continue to put its focus on the Canada uranium resources, in order to select projects with investment value, and further optimize the resource combination of the Company.

Potential risks during operation

Risk of continuous depression in uranium price

During the year ended 31 December 2015, the natural uranium price continued to remain at low level, and there was no signal to increase, which created a great pressure to the Group's profit. In order to prevent the risk from the volatility of natural uranium price, the selling price of natural uranium of the Company was consisted of base price plus escalation price, with reference to the spot and longterm price indicator of international uranium published by the Uxc (the Ux Consulting Company, LLC) and TradeTech (TradeTech of Denver Tech Centre), to ensure the price will not deviate from market price, and also maximize the profit.

Risk of fluctuation in foreign exchange rate

As Kazakhstan allowed its local currency, Tenge, to float freely, there has been a significant depreciation of the Tenge against USD since August 2015, and do not exclude from presenting the possibility of drastic fluctuation in 2016. Significant fluctuation in Tenge may have an impact on the fair value of the Group's interest in Semizbay-U.

In order to lower the uncertainty brought from the fluctuation in foreign exchange rate, the sale of natural uranium of Semizbay-U is denominated in USD, and Semizbay-U will strive for long term contract, so as to lower the effect from price fluctuation. Besides, Semizbay-U keeps USD cash as much as possible in the course of daily operation, and changes into Tenge when it requires to pay in Tenge.

Natural Uranium Trading Business

In 2015, most of the natural uranium products sold by the Company were mainly sourced from self-owned mines of Semizbay-U, the natural uranium trading amount achieved HK$700 million, representing a decrease of 39.02% as compared to 2014 (2014: HK$1,148 million). For the year ended 31 December 2015, gross profit from natural uranium trading was approximately HK$280 million, representing an increase of approximately 62.79% as compared to the gross profit of HK$172 million for the year ended 31 December 2014. The decrease in revenue from natural uranium trading and the increase in gross profit was mainly due to the Company suspended the less profitable trading business in 2015 and commenced sale of self-own mine products which have cost advantage.

Operation of Semizbay-U Uranium Mines

Semizbay-U is principally engaged in the mining of natural uranium and extraction business. At present, it operates two mines which produced uranium (i.e. Irkol Mine and Semizbay Mine, "Two Mines"), and owns the entire interest in the Two Mines. As the natural uranium trading of Semizbay-U is denominated in USD, and major loans and daily operation are denominated in Tenge. In 2015, the depreciation in Tenge resulted in the Group recorded earnings attributable to joint venture of HK$5.4 million (2014: loss of HK$54.1 million).

Since the Two Mines are in the production stage, therefore no exploration has been conducted during the period. The mineral ore mined out from the Irkol Mine and the Semizbay during the period were approximately 3,608 Kilotons and 3,046 Kilotons, and the natural uranium produced by the Two Mines were 782 tons and 440 tons, respectively. During the period under review, the operating cost of Semizbay-U was 18.86 billions Tenge.

During the period, besides the contract for purchasing raw materials to assist production, Semizbay-U did not enter into any significant new contract and commitment which were related to the Two Mines.

Since no supplemental exploration has been conducted of Two Mines during the period, the resources and reserves have no material change. For further details of the resources and reserves about the Two Mines, please refer to the relevant part on pages 106-143 of the appendix V competent person's report of the circular of the Company dated 30 June 2014 regarding the major transaction and connected transaction in relation to the acquisition of the entire equity of Beijing Sino-Kazakh.

Significant Investments Held

Save for the matters disclosed above, the Group did not hold any significant investments as of 31 December 2015.

Discontinued Operations

Pharmaceutical and Food Business

During the year ended 31 December 2015, the Group ceased the pharmaceutical and food business by disposal of Yugofoil Group, which was reclassified as discontinued operation. For the year ended 31 December 2015, the turnover of the pharmaceutical and food business amounted to HK$33.2 million, representing a decrease of approximately 62.31% as compared with the sales of approximately HK$88.1 million in the corresponding period in 2014.

Property Investment Business

Through the disposal of Yugofoil Group, the leased investment property business of two of its subsidiaries, namely Sichuan Hengtai Pharmaceutical Company Limited and Chengdu Vital Properties Limited, was also reclassified as discontinued operations. During the Period under review, signing the leased investment property business brought HK$1.99 million rental income to the Company. After completing the disposal of the business of Yugofoil Group, the property located in Beijing owned by Beijing Sino-Kazakh will be the only investment property held by the Group. It brought HK$3.03 million (2014: HK$3.79 million) rental income to the Group in 2015.

Environmental Protection

The Company as a green energy affiliate, pays high attention to environmental protection. The Company vigorously promotes environmental protection by promoting green, energy saving and environmental protection concept, such as advocating the green office, encouraging use of electronic document, double-sided printing, using eco-friendly appliances etc. At the same time, the Company organizes the staff to participate in promotional activities, such as tree planting activity, and promotes the use of public transports, or walking to substitute driving.

Relationship with Suppliers and Customers

During the year ended 31 December 2015, the Company maintained a good relationship with its suppliers and customers.

Social Participation

Every year, the Company reserves part of the fund to actively organize social charity, and organizes staff to participate in “Showing love” activities, such as helping and visiting people in need. At the same time, Semizbay-U, which the Company have a stake, helped the social construction near the mine, and built up a good relationship with the local community.

Equal Opportunity and Diversity

The Company respects and treats every employee the same, and promotes equal opportunity and policy of diversification regardless of age, sex, marital status.

Compliance with Laws and Regulations

For the year ended 31 December 2015 and up to the date of this report, to the best knowledge of the directors, the Group complied with applicable laws, rules and regulations in all material aspects.

BUSINESS PROSPECTS

In the coming five years, the PRC will start to implement the ThirteenFive Plan Nuclear power as the main force of clean energy and important part of “going global” strategy of the PRC, which plays an important role in the plan.

The Company will follow the nuclear development of the ThirteenFive Plan of the PRC and work out the Company’s own operational management strategy and developing path of the Thirteen-Five Period, use the national nuclear energy development plan as guideline, not only rely on large number of users of CGNPC and its subsidiaries (collectively the “CGN Group”) in natural uranium but also actively explore new markets out of CGN Group.

The Company believes that the development of nuclear power as the clean energy will be stable in the coming five years. However, the over-supply in the natural uranium market will be continued as the impact of post-Fukushima era has not been completely eliminated, and the natural uranium price remains low continuously is a probable event. The Company will bravely face challenges and try to grasp opportunities by acquiring and selecting potential low-cost uranium mine over the world in a good timing during the low market price period of the natural uranium. The Company aims to maintain the balance of the control volume and supply of natural uranium through realizing coordinated development of uranium mine at difference stages during exploration, construction and production. The Company clearly recognized that no matter at present or in the future the one who owns low cost mine will get the largest benefit in the natural uranium industry. Therefore, the Company will carry on its international exploration strategy and layout with emphasis on investment opportunities of in situ leaching uranium project in Kazakhstan and uranium mine in Canadian rich uranium areas, and strive to grasp the opportunities before the natural uranium price goes upward.

In the future, the Company will also continue to adhere to the current strategic objectives, by acquiring high quality uranium mine under the indirect controlling shareholder CGNPC-URC and consolidating the uranium resources of CGN Group, so as to achieve greater efficiency on capital operation. In addition, the Company will, as appropriate, consider the introduction of some strategic investors to improve shareholder structure and strengthen capital strength at the right time. Furthermore, the Company fully aware that good corporate governance is very essential under increasingly fierce market competition. The Company will continue to improve risk management and internal control system, enhance management level, intensify human resources training, deepen exploration of business mode, establish medium-long-term incentive framework and be well prepared to deal with challenges we face during the development. Meanwhile, the Company will ensure sound and smooth communication channels with investors and show a brand new image to investors and the market with a more transparent and professional way.

FINANCIAL PERFORMANCE AND ANALYSIS

Financial results

In 2015, the Group realized revenue of HK$703 million on continuing businesses, representing a decrease of HK$448 million or 38.92% compared to the revenue of HK$1,152 million in 2014; the Group realized profit of HK$298 million, representing an increase of HK$340 million compared to the loss of HK$42 million in 2014. Profit attributable to owners of the Company was HK$298 million representing an increase of HK$340 million compared with the loss of HK$42 million attributable to owners of the Company of 2014.

TURNOVER

The revenue of 2015 of the Group decreased by 38.92% to HK$703 million as compared to the revenue of HK$1,152 million of 2014. It was mainly because the Group has suspended the trading of natural uranium which is of low gross profit.

Cost of Sales

The cost of sales of the Group dropped by 56.90% from HK$976 million in 2014 to HK$421 million in 2015. It was mainly because the Group has suspended the trading at natural uranium which is of low gross profit.

One-off Gain on Disposal of Subsidiaries

On 25 March 2015, the Group disposed of the entire equity of Yugofoil Group to an independent third party. The gain on the disposal of the subsidiaries was approximately HK$99.0 million.

Share of Results of Joint Ventures

Our joint ventures mainly include Semizbay-U, and our share of results of joint ventures increased from loss of HK$54.13 million in 2014 to profit of HK$5.36 million in 2015, primarily because Semizbay-U turned its loss into profit in 2015.

Finance Costs

Our finance cost decreased by 24.14% from HK$29 million in 2014 to HK$22 million in 2015. The main reason is that China Uranium Development exercised the conversion rights attached to the convertible bonds in respect of a principal amount of HK$300,000,000 at the conversion price of HK$0.23 per conversion share on 15 June 2015. The portion of convertible bonds of which the conversion rights are being exercised represents 50% of the convertible bonds with a principal amount of HK$600,000,000.

Annual Profit

Our annual profit increased from loss of HK$42 million in 2014 to HK$298 million in 2015. It was mainly from the increase on trading profits and the one-off gain from the disposal of subsidiaries.

Total Equity

As at 31 December 2015, total equity of the Group amounted to HK$760 million, representing a decrease of HK$639 million or 46% from HK$1,399 million as at 31 December 2014, mainly attributable to (i) the consideration of acquiring 100% equity interest in Beijing Sino-Kazakh in the amount of US$133 million, which is higher than the net asset of Beijing Sino-Kazakh, diluted the reserve in equity under the standard of merger accounting under common control; (ii) China Uranium exercised 50% of the conversion rights attached to convertible bonds in 2015. The Company allotted and issued 1,304,347,826 conversion shares to China Uranium. The Group's capital structure remained relatively stable during the year as the gearing ratio (total borrowings/equity attributable to owners of the Company, net of intangible assets and goodwill) was 51% (2014: 60%).

MAJOR ACQUISITION AND DISPOSAL

Major Disposal

On 25 March 2015, the Company (as vendor) and Bright Future Pharmaceutical Holdings Limited ("Bright Future") (as purchaser) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire, the entire issued share capital of Yugofoil Group. The Company has agreed to assign and the purchaser has agreed to accept the interests in debt repayment from Yugofoil Group to the Company at an aggregate cash consideration of HK$101,250,000.

On 16 May 2014, the Company (as purchaser) and CGNPC-URC (as vendor) entered into the share and purchase agreement, pursuant to which CGNPC-URC conditionally agreed to sell and the Company conditionally agreed to purchase the entire registered capital of Beijing Sino-Kazakh, at the purchase price of US$133 million. On 15 April 2015, the Company completed the acquisition of 100% equity of Beijing Sino-Kazakh Uranium.

On 21 December 2015, the Company (as subscriber) and Fission (as issuer) signed a letter of intent for the acquisition of 19.99% equity of the latter. Upon the completion of the acquisition, the Company will become the single largest shareholder of Fission. Fission will not become a subsidiary of the Company and its financial statements will not be incorporated into the financial statements of the Group.

CONTINGENCY EVENTS

External Guarantees

In 2015, the Group did not have any external guarantee (2014: Nil).

Pledge of Assets

In 2015, the Group did not have any pledge of assets (2014: Nil).

Contingent Liability

As at 31 December 2015, the Group did not have any major contingent liability (31 December 2014: nil).

Legal Proceedings

The Company confirmed that there was no litigation, and it is not aware of any pending or threatened litigation against the Company which had or could have a material and adverse effect on the financial condition or results of operations of the Company during 2015.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 23 employees, 19 of these employees were located in China and 4 in Hong Kong. Total staff costs for the Reporting Period amounted to approximately HK$9.44 million.

Remuneration system

Combined with the characteristics of the industry, the Company constructed a competitive remuneration system which appeals to quality talents and motivates employees effectively. The remuneration system reflects the value of positions and individual sharing and encourages long-term service of employees, jointly striving for continuous growth and sustainable development of the Company and sharing the results of corporate development. Remuneration is mainly composed of basic salary, over-time pay, benefits and year-end bonus.

Training resources

The Company has a comprehensive curriculum. There are 12 courses for professional technology, covering the components from smelting to assembly of uranium and all parts in treatment of incinerated waste. There are 35 online courses, covering workplace technique, business communication and safety culture. These courses meet the Company's needs for rapid talent development effectively.

The following is the text of a report received from the Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, for the purpose of incorporation in this circular.

MAZARS

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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION IN CIRCULAR

The Board of Directors
CGN Mining Company Limited

Introduction

We report on the historical financial information of CGN Global Uranium Limited (the "Target Company") set out on pages II-4 to II-33, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015, each of the years ended 31 December 2016 and 2017, and the six months ended 30 June 2018 (the "Track Record Periods"), and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-33 forms an integral part of this report, which has been prepared for inclusion in the circular of CGN Mining Company Limited (the "Company") dated 28 December 2018 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Proposed Acquisition").

Historical Financial Information

Directors' responsibility

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Company's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Target Company's financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent

Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on other matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments to the Historical Financial Statements

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements (as defined below) have been made.

Dividends

No dividends have been paid nor proposed by the Target Company in respect of the Track Record Periods.

Preparation or audit of financial statements

The financial statements of the Target Company for the Track Record Periods, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA (the "Historical Financial Statements") and were audited by Mazars CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The statutory financial statements of the Target Company, prepared in accordance with accounting principles applicable in the United Kingdom and Republic of Ireland for the period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015 and years ended 31 December 2016 and 2017 were audited by Mazars LLP.

Subsequent financial statements

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 June 2018 and up to date of this report.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 28 December 2018

A. THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information is presented in United States dollars and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Revenue	*4*	48,579	82,627	95,467	58,365	44,726
Cost of sales		(44,459)	(84,496)	(81,978)	(49,768)	(39,721)
Gross profit (loss)		4,120	(1,869)	13,489	8,597	5,005
Other income		30	21	25	–	–
Administrative expenses		(753)	(1,099)	(1,689)	(641)	(448)
Selling expenses		(777)	(730)	(545)	(364)	(313)
Finance costs	*5*	(736)	(4,182)	(3,943)	(1,994)	(1,949)
Profit (Loss) before taxation	*5*	1,884	(7,859)	7,337	5,598	2,295
Taxation	*8*	(418)	1,595	(1,499)	(1,080)	(328)
Profit (Loss) for the period/year		1,466	(6,264)	5,838	4,518	1,967
Other comprehensive income for the period/ year		–	–	–	–	–
Total comprehensive income (loss) for the period/year		1,466	(6,264)	5,838	4,518	1,967

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2015	2016	2017	2018
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets					
Property, plant and equipment	*11*	94	68	44	31
Deferred tax assets	*17*	–	1,320	95	95
		94	1,388	139	126
Current assets					
Inventories	*12*	90,590	126,622	102,757	110,351
Prepayments, deposits and other receivables		78	309	164	406
Amounts due from fellow subsidiaries	*13*	30	1,853	–	–
Tax recoverable		–	234	227	–
Bank balances and cash	*19*	555	18,200	21,293	1,351
		91,253	147,218	124,441	112,108
Current liabilities					
Trade payables	*14*	8,980	16,873	22	–
Accruals and other payables		82	165	239	123
Loans from immediate holding company	*15*	56,679	13,234	–	–
Loans from a fellow subsidiary	*16*	–	48,494	45,763	68,576
Tax payable		418	–	–	328
		66,159	78,766	46,024	69,027
Net current assets		25,094	68,452	78,417	43,081
Total assets less current liabilities		25,188	69,840	78,556	43,207

		At 31 December			At 30 June
		2015	2016	2017	2018
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities					
Loans from immediate holding company	*15*	20,722	–	–	–
Loans from a fellow subsidiary	*16*	–	71,638	74,516	37,200
		20,722	71,638	74,516	37,200
NET ASSETS (LIABILITIES)		4,466	(1,798)	4,040	6,007
Capital and reserves					
Share capital	*18*	3,000	3,000	3,000	3,000
Accumulated profits/(losses)		1,466	(4,798)	1,040	3,007
TOTAL EQUITY (DEFICITS)		4,466	(1,798)	4,040	6,007

STATEMENTS OF CHANGES IN EQUITY

	Share capital *US$'000* *(Note 18)*	Accumulated profits/ (losses) *US$'000*	Total *US$'000*
Issue of shares	3,000	–	3,000
Profit and total comprehensive income for the period	–	1,466	1,466
At 31 December 2015 and 1 January 2016	3,000	1,466	4,466
Loss and total comprehensive loss for the year	–	(6,264)	(6,264)
At 31 December 2016 and 1 January 2017	3,000	(4,798)	(1,798)
Profit and total comprehensive income for the year	–	5,838	5,838
At 31 December 2017 and 1 January 2018	3,000	1,040	4,040
Profit and total comprehensive income for the period	–	1,967	1,967
At 30 June 2018	3,000	3,007	6,007
At 1 January 2017	3,000	(4,798)	(1,798)
Profit and total comprehensive income for the period *(unaudited)*	–	4,518	4,518
At 30 June 2017 *(unaudited)*	3,000	(280)	2,720

STATEMENTS OF CASH FLOWS

	Note	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
OPERATING ACTIVITIES						
Cash (used in) generated from operations	19(a)	(79,011)	(33,761)	20,392	17,468	(3,717)
Income tax (paid) refund		–	(377)	(267)	7	227
Net cash (used in) from operating activities		(79,011)	(34,138)	20,125	17,475	(3,490)
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(99)	–	(2)	–	–
Net cash used in investing activities		(99)	–	(2)	–	–
FINANCING ACTIVITY						
Issue of share capital		3,000	–	–	–	–
Interest on loans from immediate holding company		(465)	(1,503)	(561)	(561)	–
Interest on loans from a fellow subsidiary		–	(2,584)	(3,607)	(1,687)	(1,977)
Advance from immediate holding company		98,319	56,648	27,000	27,000	–
Advance from a fellow subsidiary		–	120,000	48,500	27,000	4,700
Repayment to immediate holding company		(21,189)	(120,778)	(40,000)	(40,000)	–
Repayment to a fellow subsidiary		–	–	(48,362)	(40,913)	(19,175)
Net cash from (used in) financing activity		79,665	51,783	(17,030)	(29,161)	(16,452)

	Note	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Net increase (decrease) in cash and cash equivalents		555	17,645	3,093	(11,686)	(19,942)
Cash and cash equivalents at beginning of the period/year		–	555	18,200	18,200	21,293
Cash and cash equivalents at end of the period/year, represented by bank balances and cash		555	18,200	21,293	6,514	1,351

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the United Kingdom on 22 July 2014. In the opinion of the directors of the Target Company, the immediate holding company and ultimate holding company of the Target Company is China Uranium Development Company Limited and China General Nuclear Power Corporation, which is incorporated in Hong Kong and the People's Republic of China respectively. The address of its registered office and principal place of business is First Floor, 50 St Andrews Street, Cambridge, Cambridgeshire, CB2 3AH, United Kingdom.

The principal activity of the Target Company is marketing and trading of uranium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Periods. For the purpose of preparing the Historical Financial Information, the Target Company has consistently adopted all HKFRSs that are relevant to its operations and are effective during the Track Record Periods.

A summary of the principal accounting policies adopted by the Target Company in the preparation of the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method:

Fixture and fittings	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments. Financial assets (except for trade receivables which are initially measured at transaction price) and financial liabilities within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification and measurement

(i) Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss – debt or equity investment or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Target Company changes its business model for managing financial assets.

The Target Company's financial assets, including deposits and other receivables, amounts due from fellow subsidiaries and bank balances and cash, are subsequently measured at amortised cost using the effective interest method, less identified impairment charges as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Any interest or dividend earned on the financial assets is included in profit or loss.

Investments in equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

(ii) Financial liabilities

The Target Company's financial liabilities include trade payables, accruals and other payables and loans from immediate holding company and a fellow subsidiary. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Target Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The loss allowance for expected credit losses is recognised on the financial assets measured at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment on these financial assets are measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial asset has occurred since initial recognition, then impairment is measured at lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables are always measured at an amount equal to lifetime expected credit losses.

A financial asset is considered to be in default if:

- the debtor is unlikely to settle the amounts due in full, without taking account of any collateral or security held; or
- the financial asset is more than 90 days past due.

A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the Target Company, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Target Company would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Target Company considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Target Company compares the risk of a default occurring on the asset as at the end of each reporting period with the risk of default as at the date of initial recognition with consideration of available reasonable and supportive forward-looking information, in particular the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and/or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of the debtors.

The gross carrying amount of a financial asset is written off (either in its entirety or a portion thereof) to the extent when there is no realistic prospect of recovering the financial asset. In general, this happens when the Target Company determines that it is likely that the debtor does not have assets or source of income that could generate sufficient cash flows to settle the amounts due. However, in accordance with the Target Company's policy for recovery, those financial assets that are written off could still be subject to enforcement activities.

(iv) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows of the financial asset expire; or where the Target Company transfers the financial asset and either (a) it has transferred substantially all the risks and rewards of ownership of the financial asset or (b) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial assets.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Cash equivalents

For the purpose of the statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Target Company's performance:

- provides the benefits which are received and consumed simultaneously by the customer as the Target Company performs;
- creates or enhances an asset that the customer controls as the Target Company performs; or
- does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Further details of the Target Company's revenue recognition policies are as follows:

(i) Sale of uranium is recognised at a point in time when the control of the assets is transferred to the customer, generally on delivery of the goods and acceptance by customers.

(ii) Marketing service income is recognised over time that services are rendered.

Foreign currency translation

Items included in the Target Company's financial statements are measured using the currency of the primary economic environment in which the Target Company operates (the "functional currency"). The financial statements are presented in the currency of United States dollars ("US$"), which is the Target Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Target Company reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Target Company in an independently administered fund.

Termination benefits

Termination benefits are recognised when, and only when, the Target Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Segment reporting

Operating segments are identified from the financial information provided to the Target Company's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Target Company.

(a) A person or a close member of that person's family is related to the Target Company if that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or of the parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

  (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Company's management in the preparation of the Historical Financial Information. They affect the application of the Target Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follows:

Allowance for inventories

The Target Company's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Target Company carries out the inventory review on a product-by-product basis and makes allowances by reference to the committed future sales contracts, latest market prices and current market conditions.

Future changes in HKFRSs

As at the date of this report, the HKICPA has issued the following new / revised HKFRSs that are not yet effective, which the Target Company has not early adopted.

Annual Improvements to HKFRSs	2015-2017 Cycle[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 19	Employee benefits[1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 The effective date to be determined

The directors of the Target Company do not anticipate that the adoption of these new / revised HKFRSs in future periods will have any material impact on the Target Company's financial information.

3. SEGMENT INFORMATION

Reportable segments

The management of the Target Company has determined the reportable segments based on the reports that are used to make strategic decisions and are reviewed by the chief operating decision-maker. The directors of the Target Company are identified collectively as the chief operating decision-maker. Since the Target Company was only engaged in one reportable segment (i.e. provision of marketing and trading of uranium) during the Track Record Periods, no segment information has been presented.

Geographical information

Based on the locations of operations, all Target Company's revenue was generated in the United Kingdom during the Track Record Periods.

All Target Company's non-current assets were physically based in the United Kingdom during the Track Record Periods.

Information about major customers

Revenue from customers individually accounting for 10% or more of revenue of the Target Company during the Track Record Periods are as follows:

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Customer A	16,340	33,535	43,063	43,063	–
Customer B	13,107	–	–	–	–
Customer C	5,675	13,205	–	–	*Note*
Customer D	5,922	10,443	*Note*	7,802	–
Customer E	7,525	*Note*	*Note*	*Note*	–
Customer F	–	10,140	20,125	–	7,930
Customer G	–	–	12,350	*Note*	–
Immediate holding company	–	–	*Note*	–	24,201

Note: Customer contributed less than 10% of the total revenue of the Target Company for relevant period/year during the Track Record Periods.

4. REVENUE

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Major products and services					
Sale of uranium	48,579	80,806	95,467	58,365	44,726
Marketing service income	–	1,821	–	–	–
	48,579	82,627	95,467	58,365	44,726
Timing of revenue recognition:					
At a point of time	48,579	80,806	95,467	58,365	44,726
Over time	–	1,821	–	–	–
	48,579	82,627	95,467	58,365	44,726

5. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December	Year ended 31 December		Six months ended 30 June	
	2015	2016	2017	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Finance costs					
Interest on loans from immediate holding company	736	1,466	327	327	–
Interest on loans from a fellow subsidiary	–	2,716	3,616	1,667	1,949
	736	4,182	3,943	1,994	1,949
Staff costs					
Staff costs (including directors' remuneration):					
Salaries, allowances and other benefit in kinds	630	612	573	332	240
Contributions to defined contribution plan	73	67	64	43	23
	703	679	637	375	263
Other items					
Auditor's remuneration	4	18	18	7	6
Depreciation	5	26	26	13	13
Cost of inventories	44,459	84,496	81,054	49,768	40,284
Storage cost	212	708	1,018	465	281
Provision (Reversal of provision) for inventories (*)	–	–	924	–	(563)
Operating lease payment in respect of premises	69	57	53	26	29

* A reversal of provision for inventories of US$563,000 has been made due to increase in selling prices of uranium.

6. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments paid and payable to the directors of the Target Company for the Track Record Periods are as follows:

	Fee	Salaries, allowances and other benefits in kind	Termination benefit	Discretionary bonus	Contributions to retirement scheme	Total
Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Qiyan Wei (appointed on 22 July 2014)	–	–	–	–	–	–
Sashikala Davies (appointed on 22 July 2014)	–	387	–	–	33	420
Jianhua Xing (appointed on 22 July 2014)	–	–	–	–	–	–
	–	387	–	–	33	420
Year ended 31 December 2016						
Qiyan Wei (resigned on 1 May 2016)	–	–	–	–	–	–
Sashikala Davies	–	297	–	–	18	315
Jianhua Xing (resigned on 1 May 2016)	–	–	–	–	–	–
Fei He (appointed on 1 May 2016)	–	–	–	–	–	–
Zhihuai Xu (appointed on 1 May 2016)	–	–	–	–	–	–
	–	297	–	–	18	315
Year ended 31 December 2017						
Sashikala Davies (resigned on 20 July 2017)	–	130	45	58	24	257
Fei He	–	–	–	–	–	–
Zhihuai Xu	–	–	–	–	–	–
Jian Huang (appointed on 20 July 2017)	–	–	–	–	–	–
	–	130	45	58	24	257
Six months ended 30 June 2018						
Fei He	–	–	–	–	–	–
Zhihuai Xu	–	–	–	–	–	–
Jian Huang	–	72	–	–	8	80
	–	72	–	–	8	80
Six months ended 30 June 2017 (unaudited)						
Sashikala Davies	–	105	45	58	22	230
Fei He	–	–	–	–	–	–
Zhihuai Xu	–	–	–	–	–	–
	–	105	45	58	22	230

There was no arrangement under which the directors of the Target Company waived or agreed to waive any emolument during the Track Record Periods. In addition, no remuneration was paid by the Target Company to any director as an inducement to join or upon joining the Target Company during the Track Record Periods.

7. FIVE HIGHEST PAID INDIVIDUALS

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December	Year ended 31 December		Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
Number of employees other than director	4	4	4	4	4
Number of director	1	1	1	1	1

The aggregate amounts of emoluments of the highest paid non-director individuals of the Target Company are as follows:

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December	Year ended 31 December		Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Salaries, allowances and other benefits in kind	230	269	248	120	150
Discretionary bonus	–	–	14	8	–
Contributions to retirement scheme	20	20	25	12	12
	250	289	287	140	162

The number of the highest paid non-director individuals whose remuneration fell within the following bands was:

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	2017	Six months ended 30 June 2017 (unaudited)	2018
Nil-HK$1,000,000	4	4	4	4	4

There was no arrangement under which any of these highest paid non-director individuals waived or agreed to waive any emoluments during the Track Record Period. In addition, no remuneration was paid by the Target Company to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Track Record Periods.

8. TAXATION

The assessable profit of the Target Company is subject to Corporation Tax in the United Kingdom. Corporation Tax attributable to the Target Company is calculated at the prevailing tax rate at 20.50%, 20%, 19.25% and 19% for the period from 22 July 2014 (date of incorporation) to 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively, on taxable income determined in accordance with those relevant laws and regulations in the United Kingdom.

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	2017	Six months ended 30 June 2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Current tax					
United Kingdom Corporation Tax					
Current year	418	–	274	1,080	328
Over provision in prior years	–	(275)	–	–	–
	418	(275)	274	1,080	328
Deferred taxation *(note 17)*	–	(1,320)	1,225	–	–
Tax expense (credit) for the period/year	418	(1,595)	1,499	1,080	328

Reconciliation of tax expense (credit)

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December	Year ended 31 December		Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit (Loss) before taxation	1,884	(7,859)	7,337	5,598	2,295
Income tax at applicable tax rate	386	(1,572)	1,412	1,078	436
Non-deductible expenses	4	–	–	–	–
Tax exemption revenue	–	(23)	(8)	–	–
Unrecognised temporary difference	2	–	–	–	–
Over provision in prior years	–	(275)	–	–	–
Others	26	275	95	2	(108)
Tax expense (credit) for the period/year	418	(1,595)	1,499	1,080	328

9. DIVIDENDS

No dividends were paid nor declared to the equity holders of the Target Company during the Track Record Periods.

10. EARNINGS (LOSSES) PER SHARE

Earnings (losses) per share has not been presented as such information is not considered meaningful for the purpose of the Historical Financial Information.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings
	US$'000
Reconciliation of carrying amount – period ended 31 December 2015	
Additions	99
Depreciation	(5)
At 31 December 2015	94
Reconciliation of carrying amount – year ended 31 December 2016	
At the beginning of the reporting period	94
Depreciation	(26)
At 31 December 2016	68
Reconciliation of carrying amount – year ended 31 December 2017	
At the beginning of the reporting period	68
Additions	2
Depreciation	(26)
At 31 December 2017	44
Reconciliation of carrying amount – period ended 30 June 2018	
At the beginning of the reporting period	44
Depreciation	(13)
At 30 June 2018	31
At 31 December 2015	
Cost	99
Accumulated depreciation	(5)
Net carrying amount	94
At 31 December 2016	
Cost	99
Accumulated depreciation	(31)
Net carrying amount	68
At 31 December 2017	
Cost	101
Accumulated depreciation	(57)
Net carrying amount	44
At 30 June 2018	
Cost	101
Accumulated depreciation	(70)
Net carrying amount	31

12. INVENTORIES

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Uranium	90,590	126,622	103,681	110,712
Less: Provision for inventories	–	–	(924)	(361)
	90,590	126,622	102,757	110,351
Less: Expected to be sold after 12 months	(55,912)	(51,326)	(44,593)	(33,463)
Expected to be sold within 12 months	34,678	75,296	58,164	76,888

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed repayment term.

14. TRADE PAYABLES

Ageing analysis of the Target Company's trade payables to external suppliers as at the end of each reporting period, based on the invoice date, is as follows:

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	8,956	16,873	22	–
Over 90 days	24	–	–	–
	8,980	16,873	22	–

15. LOANS FROM IMMEDIATE HOLDING COMPANY

		At 31 December			At 30 June
		2015	**2016**	**2017**	**2018**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Current (Unsecured)	*Note (a)*	56,679	13,234	–	–
Non-current (Unsecured)	*Note (b)*	20,722	–	–	–
		77,401	13,234	–	–

(a) As at 31 December 2015 and 31 December 2016, the loans bear interest at rates of 3-month LIBOR plus 2.7% per annum. The balances are repayable within one year from the end of each reporting period.

(b) As at 31 December 2015, the loans bear interest at rates of 3-month LIBOR plus 3.2% or 3.7% per annum and repayable between 30 January 2017 and 31 March 2017.

16. LOANS FROM A FELLOW SUBSIDIARY

		At 31 December			At 30 June
		2015	**2016**	**2017**	**2018**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Current (Unsecured)	*Note (a)*	–	48,494	45,763	68,576
Non-current (Unsecured)	*Note (b)*	–	71,638	74,516	37,200
		–	120,132	120,279	105,776

(a) The balances are repayable within one year from the end of each reporting period. The balances bear the following interest rates:

- 31 December 2016: 3.3 % per annum
- 31 December 2017: 3.3% or 3.9% per annum
- 30 June 2018: 3.9% or 3-month LIBOR plus 2.4% per annum

(b) The balances bear the following interest rates and are repayable at the following dates:

- 31 December 2016: 3.3% per annum and repayable between 8 January 2018 and 9 March 2019
- 31 December 2017: 3.3% or 3.9% per annum and repayable between 30 January 2019 and 4 May 2020
- 30 June 2018: 3.9% or 4.6% per annum and repayable between 24 April 2020 and 30 March 2021

17. DEFERRED TAXATION

The movements for each reporting period in the Target Company's net deferred tax position were as follows:

	US$'000
At 22 July 2014 (date of incorporation), 31 December 2015 and 1 January 2016	–
Credited to profit or loss *(note 8)*	1,320
At 31 December 2016 and 1 January 2017	1,320
Charged to profit or loss *(note 8)*	(1,225)
At 31 December 2017, 1 January 2018 and 30 June 2018	95

Recognised deferred tax assets and liabilities at the end of each reporting period represent the following:

	Assets				**Liabilities**			
	At 31 December			**At 30 June**	**At 31 December**			**At 30 June**
	2015	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Depreciation allowances	–	–	–	–	–	–	(2)	(2)
Tax losses	–	1,320	97	97	–	–	–	–
Deferred tax assets (liabilities)	–	1,320	97	97	–	–	(2)	(2)
Offsetting	–	–	(2)	(2)	–	–	2	2
	–	1,320	95	95	–	–	–	–

The unused tax losses have no expiry date.

18. SHARE CAPITAL

	At 31 December			**At 30 June**
	2015	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Alloted, called up and fully paid 3,000,000 ordinary shares of US$1 each	3,000	3,000	3,000	3,000

The Target Company was incorporated in the United Kingdom with limited liability on 22 July 2014. On incorporation, 3,000,000 ordinary shares of US$1 each were issued for cash consideration as initial subscription capital of the Target Company.

19. OTHER CASH FLOW INFORMATION

(a) Cash (used in) generated from operations

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit (Loss) before taxation	1,884	(7,859)	7,337	5,598	2,295
Depreciation	5	26	26	13	13
Interest on loans from immediate holding company	736	1,466	327	327	–
Interest on loans from a fellow subsidiary	–	2,716	3,616	1,667	1,949
Provision for inventories	–	–	924	–	–
Changes in working capital:					
Inventories	(90,590)	(36,032)	22,941	25,437	(7,594)
Prepayment, deposits and other receivables	(78)	(231)	145	(644)	(242)
Trade payables, accruals and other payables	9,062	7,976	(16,777)	(16,783)	(138)
Due from fellow subsidiaries	(30)	(1,823)	1,853	1,853	–
Cash (used in) generated from operations	(79,011)	(33,761)	20,392	17,468	(3,717)

(b) Reconciliation of liabilities arising from financing activities

Details of the changes in the Target Company's liabilities from financing activities were as follows:

	Loans from immediate holding company	**Loans from a fellow subsidiary**	**Total**
	US$'000	*US$'000*	*US$'000*
For the period ended 31 December 2015			
Interest expense	736	–	736
Net cash flows	76,665	–	76,665
At 31 December 2015	77,401	–	77,401
For the year ended 31 December 2016			
At 1 January 2016	77,401	–	77,401
Interest expense	1,466	2,716	4,182
Net cash flows	(65,633)	117,416	51,783
At 31 December 2016	13,234	120,132	133,366
For the year ended 31 December 2017			
At 1 January 2017	13,234	120,132	133,366
Interest expense	327	3,616	3,943
Net cash flows	(13,561)	(3,469)	(17,030)
At 31 December 2017	–	120,279	120,279
For the period ended 30 June 2018			
At 1 January 2018	–	120,279	120,279
Interest expense	–	1,949	1,949
Net cash flows	–	(16,452)	(16,452)
At 30 June 2018	–	105,776	105,776

(c) Bank balances and cash

Cash at banks earn interest at floating rates based on daily bank deposit rates.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, the Target Company has the following transactions with the following related parties during the Track Record Periods:

Relationship	Nature of transaction	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Immediate holding Company	Interest expenses	(736)	(1,466)	(327)	(327)	–
	Sale of uranium	–	–	1,726	–	24,201
	Purchase of uranium	(14,564)	–	–	–	–
Fellow subsidiaries	Marketing services income	–	1,821	–	–	–
	Recharge of administrative expenses	30	21	25	–	–
	Non-utilisation fee	–	(50)	(33)	(3)	(2)
	Interest expenses	–	(2,716)	(3,616)	(1,667)	(1,949)
Key management personnel	Salaries, allowances and other benefit in kinds	387	297	130	105	72
	Termination benefit	–	–	45	45	–
	Discretionary bonus	–	–	58	58	–
	Contributions to defined contribution schemes	33	18	24	22	8
		420	315	257	230	80

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amount due from fellow subsidiaries, loans from immediate holding company and a fellow subsidiary and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Target Company's operations. The Target Company has various other financial instruments such as prepayments, deposits and other receivables, trade payables and accruals and other payables, which arise directly from its business activities.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Company does not have any written risk management policies and guidelines. However, the directors of the Target Company generally adopt conservative strategies on its risk management and limit the Target Company's exposure to these risks to a minimum level as follows:

Interest rate risk

The Target Company's exposure to market risk for changes in interest rates relates primarily to its interest-bearing financial instruments including loans from immediate holding company and a fellow subsidiary with variable interest rates as well as bank balances and cash.

The table below is a summary quantitative data about exposure to variable interest rates at the end of each of the reporting period during the Track Record Periods:

	Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December	Year ended 31 December		Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank balances and cash	555	18,200	21,293	1,351
Loans from immediate holding company	(77,401)	(13,234)	–	–
Loans from a fellow subsidiary	–	–	–	(1,001)
	(76,846)	4,966	21,293	350

At the end of each reporting period, if interest rates had been 100 basis points lower/higher with all other variables held constant, the Target Company's profit before tax for period ended 31 December 2015 would increase/decrease by approximately US$768,000, loss before tax for year ended 31 December 2016 would increase/decrease by approximately US$50,000, profit before tax for year ended 31 December 2017 would decrease/increase by approximately US$213,000 and profit before tax for period ended 30 June 2018 would decrease/increase by approximately US$4,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points decrease/increase represents management's assessment of a reasonably possible change in interest rates over the corresponding period until the end of the next annual reporting period. The analysis was performed on the same basis for each of the reporting period.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Target Company, resulting in a loss to the Target Company. The Target Company's credit risk is mainly attributable to bank balances and cash and amounts due from fellow subsidiaries.

The management considers the credit risk in respect of bank balances is minimal because the counter-parties are authorised financial institution with high credit ratings.

The management closely monitors the financial position of fellow subsidiaries and is ready to take appropriate actions to safeguard the interest of the Target Company as and when necessary. Therefore, the Target Company's exposure to credit risk is to a large extent limited. The maximum exposure to credit risk is represented by the amounts due from fellow subsidiaries as reported in the statement of financial position.

Liquidity risk

Liquidity risk refers to the scenario in which the Target Company is unable to meet its short-term obligations. Management of the Target Company aims at maintaining sufficient level of cash and cash equivalents to finance the Target Company's operations and expected expansion. The Target Company's primary cash requirements include payments for operating expenses and repayment of borrowings. The Target Company finances its working capital mainly by the funds generated from operations and advances from immediate holding company and/or fellow subsidiary.

The Target Company manages liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Target Company to ensure that all liabilities due and known funding requirements could be met. Based on the assessment of the management, the overall liquidity risk encountered by the Target Company is manageable.

The maturity profiles of the Target Company's financial liabilities at the end of each of the reporting period during the Track Record Periods based on contractual undiscounted payments are summarised below:

	Within 1 year or on demand	**1-2 years**	**2-5 years**	**Total undiscounted cash flows**	**Carrying amount**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2015					
Trade payables	8,980	–	–	8,980	8,980
Accruals and other payables	82	–	–	82	82
Loans from immediate holding company	58,859	20,990	–	79,849	77,401
	67,921	20,990	–	88,911	86,463
At 31 December 2016					
Trade payables	16,873	–	–	16,873	16,873
Accruals and other payables	165	–	–	165	165
Loans from immediate holding company	13,471	–	–	13,471	13,234
Loans from a fellow subsidiary	51,350	32,712	41,243	125,305	120,132
	81,859	32,712	41,243	155,814	150,404

	Within 1 year or on demand *US$'000*	1-2 years *US$'000*	2-5 years *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount *US$'000*
At 31 December 2017					
Trade payables	22	–	–	22	22
Accruals and other payables	239	–	–	239	239
Loans from a fellow subsidiary	49,406	55,924	20,712	126,042	120,279
	49,667	55,924	20,712	126,303	120,540
At 30 June 2018					
Accruals and other payables	123	–	–	123	123
Loans from a fellow subsidiary	71,307	23,558	15,049	109,914	105,776
	71,430	23,558	15,049	110,037	105,899

22. FAIR VALUE MEASUREMENTS

At the end of each reporting period during the Track Record Periods, the Target Company did not have any assets and liabilities that were measured at fair value.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

23. CAPITAL MANAGEMENT

The objectives of the Target Company's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Company actively and regularly reviews, manages and maintains its capital structure at optimal, by taking into consideration the future capital requirements of the Target Company and making adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Company's objectives, policies or processes in managing capital during the Track Record Periods.

24. EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to 30 June 2018.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for each of the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The revenue of the Target Company were approximately USD48.58 million, USD82.63 million, USD95.47 million and USD44.73 million for the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. From 2015 to 2017, the revenue of the Target Company increased significantly by approximately 96.52%, such increase was mainly attributable to a fast growth of trading volume. The sales quantity of the Target Company were approximately 1,345,000 lbs, 2,460,000 lbs, and 2,630,000 lbs for the period ended 31 December 2015, years ended 31 December 2016 and 2017. From 2015 to 2017, the sales quantity increased by approximately 95.54%. From 2016 to 2017, the sales revenue still increased 15.53% which was attributable to the increase of average sales price by 9.09% and sales quantity by 6.91%.

Table 1 The breakdown and analysis of the sales for the period ended 31 December 2015 to year ended 31 December 2017

Period/Year	Revenue	Sales Quantity	Quantity Increase VS2014/15	Average Sales Price
	USD'000	*lbs'000*		*USD/lb*
Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	48,579	1,345	/	36
Year ended 31 December 2016	82,627	2,460	82.90%	33
Year ended 31 December 2017	95,467	2,630	95.54%	36

Note: The first reporting period starting from incorporation normally cover more than 12 months.

The gross profit/(loss) of the Target Company were approximately USD4.12 million, (USD1.87 million), USD13.49 million and USD5.01 million for the periods ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. The Target Company is using average cost method to absorb the cost of sales. The average cost price can be calculated by dividing the cost of goods available for sale by the number of units available for sale. From the year of 2015 to 2018, the spot price of uranium continued to be relatively volatile (Chart 1), in the middle of the year of 2015, the uranium spot price has increased to USD40. The Target Company had average sales price of USD36 versus average cost price of USD33 (Table 2), the gross profit margin per unit is USD3. For the period ended 31 December 2015, The Target Company had a satisfactory growth and profit during the company's first 17 months of operation.

2016 was a challenging year for the industry and market prices fell by just under 50% during the year. The spot price had dropped quickly and reached USD19 by the year ended 2016 (Chart 1), however, the average cost price fell slowly and remained at a high level for the much of 2015. The Target Company had average sales price of USD33 versus average cost price of USD34 (Table 2), the loss per unit is USD1 and the difficult market conditions were reflected in the loss.

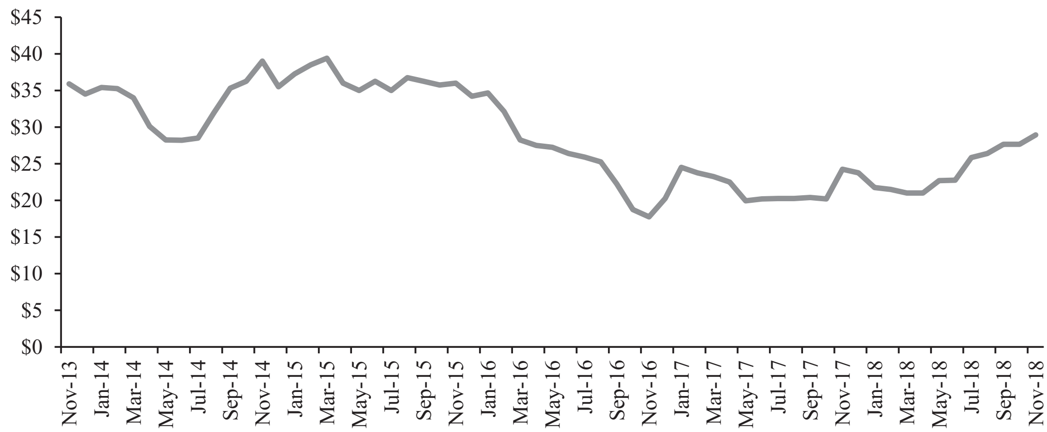
The Uranium spot price remained relatively low during the year of 2017. The Target company had crystalized profits from the contracts signed in prior years. The Target Company had average sales price of USD36 versus average cost price of USD31 (Table 2), the gross profit per unit is USD5 and the Target Company had turned profits during the year of 2017 due to good business performance.

During the first six months of 2018, The Target Company had average sales price of USD31 versus average cost price of USD27 (Table 2), the gross profit per unit sale is USD4 and the Target Company had continued with profits during the first six months of 2018.

Table 2 The sales and cost indicators for the period ended 31 December 2015 to period ended 30 June 2018

Period/Year	**Revenue**	**Cost of Sales**	**Gross Profit (loss)**	**Average Sales Price**	**Average Cost Price**
	USD'000	*USD'000*	*USD'000*	*USD/lb*	*USD/lb*
Period from 22 July 2014 (date of incorporation of the Target Company) to 31 December 2015	48,579	44,459	4,120	36	33
Year ended 31 December 2016	82,627	84,496	(1,869)	33	34
Year ended 31 December 2017	95,467	81,978	13,489	36	31
Six months ended 30 June 2018	44,726	39,721	5,005	31	27

Chart 1 The spot price of Uranium for past period of 5 years



Source from: TradeTech

Other gains and losses of the Target Company were approximately USD30,000, USD21,000 and USD25,000 and USD Nil for the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively, which mainly represented the recharge of administrative shared service.

The selling expenses of the Target Company were approximately USD0.78 million, USD0.73 million, USD0.55 million and USD0.31 million for the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. The selling expenses in 2015 was 7% more than 2016, mainly due to a longer fiscal year of 17 months ended 2015. A further reduction by 25% from 2016 to 2017 due to sales personnel changes during the year ended 2017.

The administrative expenses of the Target Company were approximately USD0.75 million, USD1.10 million, USD1.69 million and USD0.45 million for the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. Such increase was mainly attributable to the increase in staff number, storage fees, wages, consultation fees and performance bonuses arising from the business expansion.

The finance costs of the Target Company were approximately USD0.74 million, USD4.18 million, UDS3.94 million and USD1.95 million for the period ended 31 December 2015, years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. The finance costs were increased by 468% from 2015 to 2016, mainly due to the huge increase of loans along with business expansion. During the year ended 2017, the loans had remained the similar level for that of 2016.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, 31 December 2016 and 31 December 2017 and 30 June 2018, the total liabilities of the Target Company were approximately USD86.88 million, USD150.40 million, USD120.54 million and USD106.23 million, respectively.

As at 31 December 2015, 31 December 2016 and 31 December 2017 and 30 June 2018, the total current liabilities of the Target Company were approximately USD66.16 million, USD78.77 million, USD46.02 million and USD69.03 million respectively.

As at 31 December 2015, 31 December 2016 and 31 December 2017 and 30 June 2018, the total cash and bank balances of the Target Company were approximately USD0.56 million, USD18.20 million, USD21.29 million and USD1.35 million respectively.

As at at 31 December 2015, 31 December 2016 and 31 December 2017 and 30 June 2018, the total borrowings of the Target Company were approximately USD77.40 million, USD133.37 million, USD120.28 million and USD105.78 million respectively. The borrowings interest rate is 3.3%, 3.9%, 4.6% and LIBOR+2.4% respectively.

The borrowings as at the six months ended 30 June 2018 of USD105,776,000 was mainly used to fund the purchase of Uranium goods for the committed revenue from future contractual sales. The total committed revenue from contractual sales is sufficient to repay all the borrowings.

Taking into account the internally generated funds and the banking facilities available to the Target Company, the Target Company have sufficient capital to meet its working capital requirements and to finance foreseeable capital expenditure.

CAPTIAL STRUCTURE

The Target Company's operations were financed mainly by shareholders' equity, banking facilities available to the Target Company and internal resources. The Target Company's borrowings and cash and cash equivalents were mainly denominated in USD.

As at 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, there were no significant change in the Target Company's equity interest.

As at 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, the Target Company's gearing ratio (defined as total liabilities as a percentage of total assets) was 95%, 101%, 97% and 95%, respectively. The increase of the gearing ratios from 2015 to 2016 was attributable to the increase of borrowings, other payables and loss incurred during 2016. The gearing ratio decreased by 4 percentage points and 2 percentage points when compared with previous year during 2017 and six months ended 30 June 2018 respectively was attributable to the continued profit through these two years.

PLEDGE OF ASSETS

The Target Company did not have any pledge of assets as at 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018.

CONTINGENT LIABILITIES

The Target Company did not have any significant contingent liabilities as at 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018.

Dividend

For the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, the Target Company didn't declare the payment of dividends.

FOREIGN EXCHANGE RISK

The Target Company's business operations are mainly conducted in the overseas market. All the revenue and purchase payments of Uranium were principally denominated in USD. Only the local overheads expenses in UK can be affected by the fluctuations of the GBP exchange rate. The Target Company did not have material exchange risk exposure for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018. The Target Company had not used any financial instrument to hedge against the exposure in foreign exchange.

INTEREST RATE RISK

Since the loans of the Target Company were mainly sourced from a fellow subsidiary borrowings and the majority part is fixed interest rate loans. The benchmark lending rate announced by the Federal Reserve System would only have certain impact on the Target Company's cost of debt. The Target Company will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

After the acquisition, the Target Company will be able to take the advantage of the Company's cash and cash equivalent to reduce its external interest bearing debts, which will result in an decrease in interests at the Enlarged Group level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, the Target Company employed a total of about full time 6, 5, 6, and 5 employees respectively. The Target Company's staff recruitment and promotion are primarily based on individuals' merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies are formulated with reference to the competitive market conditions, and individual performance.

For the period ended 31 December 2015, years ended 31 December 2016 and 2017, and the six months ended 30 June 2018, the staff cost of the Target Company amounted to approximately USD703,000, USD679,000, USD637,000 and USD263,000, respectively, including basic salaries, year-end bonus and staff benefits such as statutory social insurances.

There will be no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the director (s) of the Target Company as a consequence of the Acquisition.

PROSPECTS

In the uranium trading sector, the Target Company has already captured a market share which gives it a strong competitive advantage, with a customer base covering a substantial majority of the participants in the industry. The Company will constantly expand its market share and keep itself in a leading position in the uranium trading sector.

Looking forward, the Target Company promulgated a series of decisions and deployment plans in respect of uranium trading sector to take full advantage of the Company's increase in its cost competitive off-take from its uranium projects in future, signifying that more development opportunities will be gradually arisen in the field of uranium trading in the future. The Target Company will continue to provide high value products and services to customers.

MATERIAL INVESTMENT HELD

For the three years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Target Company had no material investment.

SUBSTANTIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the three years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Target Company had no substantial acquisition and disposal.

COMMENTS ON THE REPORT OF BOARD OF DIRECTORS AND THE CLASSIFIED INFORMATION PROVIDED IN THE ACCOUNTS

The Target Company presents information such as financial statements, financial indicators and statistical indexes to the board of directors, which gives a true view of its operation, so that the board of directors can make reasonable decisions. The Target Company carries out final financial accounting at the end of the year to reflect its financial conditions, operating results and cash flows for the accounting year.

PLANS FOR SIGNIFICANT INVESTMENT OR PURCHASE OF CAPITAL ASSETS IN FUTURE

The Target Company currently has no plan for significant investment, or purchase of capital assets in the future.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of CGN Mining Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Existing Group") and CGN Global Uranium Limited (the "Target Company") (the Existing Group and the Target Company hereinafter collectively referred to as the "Enlarged Group") ("Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the entire equity interest in the Target Company (the "Acquisition") under the Sale and Purchase Agreement.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June 2018 for the unaudited pro forma consolidated statement of financial position and 1 January 2017 for the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows respectively.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company to provide information of the Existing Group upon completion of the Acquisition. It is prepared for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the consolidated financial position, consolidated financial performance and its consolidated cash flows of the Enlarged Group following the completion of the Acquisition or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Existing Group as set out in Appendix I of the circular, the accountants' report of the Target Company as set out in Appendix II of the circular and other financial information included elsewhere in the circular.

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2018

	The Existing Group as at 30 June 2018	The Target Company as at 30 June 2018	Pro forma adjustments			The Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 6)*	
Non-current assets						
Property, plant and equipment	15,566	240				15,806
Investment properties	31,266	–				31,266
Investment in a subsidiary	–	–	66,335	(66,335)		–
Investment in a joint venture	147,077	–				147,077
Investment in an associate	527,092	–				527,092
Deferred tax assets	–	737				737
	721,001	977				721,978
Current assets						
Inventories	–	855,781				855,781
Trade and other receivables	122,463	3,149				125,612
Amount due from an intermediate holding company	2,939	–				2,939
Bank balances and cash	1,050,767	10,477	(66,335)		(2,649)	992,260
	1,176,169	869,407				1,976,592
Total assets	1,897,170	870,384				2,698,570
Current liabilities						
Trade and other payables	81,993	954				82,947
Amount due to an intermediate holding company	3,179	–				3,179
Amount due to a joint venture	5,513	–				5,513
Amounts due to fellow subsidiaries	433	531,812				532,245
Income tax payable	7,052	2,544				9,596
Dividend payable	13,201	–				13,201
	111,371	535,310				646,681
Net current assets	1,064,798	334,097				1,329,911

	The Existing Group as at 30 June 2018	The Target Company as at 30 June 2018	Pro forma adjustments			The Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 6)*	
Total assets less current liabilities	1,785,799	335,074				2,051,889
Capital and reserves						
Share capital	66,007	23,265		(23,265)		66,007
Reserves	1,707,336	23,320		(43,070)	(2,649)	1,684,937
Total equity	1,773,343	46,585				1,750,944
Non-current liabilities						
Loans from a fellow subsidiary	–	288,489				288,489
Deferred tax liabilities	12,456	–				12,456
	12,456	288,489				300,945
	1,785,799	335,074				2,051,889

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

	The Existing Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma adjustments		The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 5)*	*(Note 6)*	
Revenue	372,790	740,354			1,113,144
Cost of sales	(253,774)	(635,746)			(889,520)
Gross profit	119,016	104,608			223,624
Other operating income	19,753	194	(107)		19,840
Selling expenses	–	(4,227)			(4,227)
Administrative expenses	(34,366)	(13,098)	107	(2,649)	(50,006)
Finance costs	–	(30,578)			(30,578)
Changes in fair value of investment properties	358	–			358
Share of result of a joint venture	(20,558)	–			(20,558)
Share of result of an associate	(16,457)	–			(16,457)
Profit before taxation	67,746	56,899			121,996
Income tax expenses	(15,668)	(11,625)			(27,293)
Profit for the period attributable to owners of the Company	52,078	45,274			94,703

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Existing Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma adjustments		The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	
OPERATING ACTIVITIES					
Profit before taxation	67,746	56,899		(2,649)	121,996
Adjustments for:					
Interest income	(16,733)	–			(16,733)
Changes in fair value of investment properties	(358)	–			(358)
Depreciation of property, plant and equipment	1,849	202			2,051
Interest on loans from immediate holding company	–	2,536			2,536
Interest on loans from a fellow subsidiary	–	28,042			28,042
Reversal of provision of inventories	–	7,166			7,166
Share of results from a joint venture	20,558	–			20,558
Share of results from an associate	16,457	–			16,457
Operating cash flow before movements in working capital	89,519	94,845			181,715
Decrease in inventories	–	177,909			177,909
(Increase) decrease in trade and other receivables	(115,805)	1,124			(114,681)
Increase (decrease) in trade and other payables	81,349	(130,107)			(48,758)
Decrease in amount due to an intermediate holding company	(6,314)	–			(6,314)
Decrease in amount due to a joint venture	(300)	–			(300)
Decrease in amount due from fellow subsidiaries	–	14,370			14,370
Increase in amount due to fellow subsidiaries	793	–			793
Cash generated from operations	49,242	158,141			204,734
Hong Kong Profit Tax paid	(44,084)	–			(44,084)
The United Kingdom Corporation Tax paid	(650)	(2,071)			(2,721)
NET CASH FROM OPERATING ACTIVITIES	4,508	156,070			157,929

	The Existing Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma adjustments		The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	
INVESTING ACTIVITIES					
Payment for common control business combinations	–	–	(66,335)		(66,335)
Transfer from amounts due from fellow subsidiaries to bank balances and cash	1,080,947	–			1,080,947
Interest income received	12,524	–			12,524
Dividend received from a joint venture	7,086	–			7,086
Purchase of property, plant and equipment	–	(16)			(16)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,100,557	(16)			1,034,206
FINANCING ACTIVITIES					
Dividend paid	(132,014)	–			(132,014)
Interest paid on loans from immediate holding company	–	(4,351)			(4,351)
Interest paid on loans from a fellow subsidiary	–	(27,973)			(27,973)
Advance from immediate holding company	–	209,387			209,387
Repayment to immediate holding company	–	(310,203)			(310,203)
Advance from a fellow subsidiary	–	376,121			376,121
Repayment to a fellow subsidiary	–	(375,051)			(375,051)
NET CASH USED FINANCING ACTIVITIES	(132,014)	(132,070)			(264,084)
NET INCREASE IN CASH AND CASH EQUIVALENTS	973,051	23,984			928,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	40,915	141,142			182,057
Effect of foreign exchange rate changes	3,145	–			3,145
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	1,017,111	165,126			1,113,253

Notes:

1) The consolidated statement of financial position of the Existing Group is extracted from the Company's published interim report for the six months ended 30 June 2018 and consolidated statement of profit or loss and consolidated statement of cash flows are extracted from the Company's annual report for the year ended 31 December 2017.

2) The financial information of the Target Company is extracted from the accountants' report of the Target Company as set out in Appendix II to this circular.

   The financial information of the Target Company is denominated in United States dollar ("US$") and is translated into Hong Kong dollar ("HK$") at the approximate exchange rate of US$1 to HK$7.75508, being the average and closing exchange rate prevailing for the year ended 31 December 2017 and at the close of business on 30 June 2018 for illustrative purpose only. Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3) The adjustment represents the total consideration of US$8,553,800 (equivalent to approximately HK$66,335,000) for the Acquisition, to be satisfied by cash from the Company's internal resources.

4) As the Target Company is to be acquired from the immediate holding company of the Company, the transaction would constitute a business combination under common control. Upon completion, the financial information of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The adjustment represents entries for the elimination of respective investment cost (the "Investment Cost") of approximately HK$66,335,000 to be incurred by the Company for acquiring the Target Company against the entire registered capital (the "Registered Capital") of the Target Company of approximately HK$23,265,000. The difference between the Investment Cost and the Registered Capital of approximately HK$43,070,000 is recognised as a reserve of the Enlarged Group.

5) The adjustment represents elimination of intra-group transactions upon completion the Acquisition.

6) The adjustment represents the estimated transaction costs, including mainly legal and professional fees of approximately HK$2,649,000 to be incurred by the Company and recognised in the profit and loss, upon the completion of the Acquisition.

7) The pro forma adjustment relating to intra-group transactions in note 5 above is considered having continuing effect.

The following is the text of report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

The Board of Directors
CGN Mining Company Limited
Room 1903, 19/F,
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CGN Mining Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Existing Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017, and related notes as set out on pages IV-2 to IV-7 of the circular in connection with the proposed acquisition of 100% equity interest in the Target Company (the "Acquisition") dated 28 December 2018 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Notes 1 to 7.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Existing Group's financial position as 30 June 2018 and the Existing Group's financial performance and cash flows for the year ended 31 December 2017 as if the Acquisition had taken place at 30 June 2018 and 1 January 2017 respectively. As part of this process, information about the Existing Group's financial position has been extracted by the directors of the Company from the Existing Group's unaudited condensed consolidated financial statements as at 30 June 2018, on which a review report has been published. Information about the Existing Group's financial performance and cash flows has been extracted by the directors of the Company from the Existing Group's audited consolidated financial statements for the year ended 31 December 2017, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing

Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Existing Group as if the Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2018 or year ended 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Enlarged Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Existing Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 December 2018

This asset valuation report is prepared in accordance with Chinese Valuation Standards.

Asset valuation report of entire equity value of shareholders of CGN Global Uranium Limited involved in the proposed transfer by China Uranium Development Company Limited of the entire equity of CGN Global Uranium Limited to CGN Mining Company Limited

Zhong Shui Zhi Yuan Ping Bao Zi [2018] No. 010172

Zhongshuizhiyuan
Assets Appraisal Co., Ltd.
(中水致遠資產評估有限公司).
27 September 2018

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STATEMENT

I. This Asset Valuation Report was prepared in accordance with the Asset Valuation Standards -Basic Standards issued by the Ministry of Finance and the Principles of Asset Appraisal Practice and Code of Ethics issued by China Appraisal Society.

II. The principals or other users of the Asset Valuation Report shall use the report in accordance with the laws and administrative rules and regulations and the scope of application set out in the Asset Valuation Report. Where the principals or other users of the Asset Valuation Report are in breach of the above regulations, the asset appraisal agency and its asset appraisers would not bear the responsibilities.

This Asset Valuation Report shall only be used by the principals, other users of the Asset valuation Report specified in the engagement letter for valuation service, and users of the Asset Valuation Report under the provisions of laws and administrative rules and regulations. Save for the above, this Asset Valuation Report shall not be used by any other institution or individual.

Users of the Asset Valuation Report shall properly acknowledge that the valuation conclusion should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target.

III. The asset appraisal agency and its asset appraisers have complied with the laws, administrative rules and regulations and asset valuation standards, and abided by the principles of independence, objectivity and impartiality, and are responsible, under the laws, for the Asset Valuation Report issued by them.

IV. The list of assets and liabilities related to the appraised target has been reported and confirmed with signatures and seals or otherwise under the laws by the principals and the valued entity; the truthfulness, completeness and legality of the information provided shall be the responsibility of the principals and other relevant parties.

V. The asset appraisal agency and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.

VI. We have carried out verify investigation on the target of valuation in the Asset Valuation Report and its assets involved; we have put necessary emphasis on the legal ownership of the target of valuation and the assets involved, verified the information of the legal ownership of the target of valuation and the assets involved, made proper disclosure in respect of the issues identified, and requested the principals and other relevant parties to consummate the title in order to fulfill the requirements for the issuance of the Asset Valuation Report.

VII. The analyses, judgements and results in the Asset Valuation Report issued by the asset appraisal firm are subject to the assumptions and limitations in the Asset Valuation Report. Users of the Asset Valuation Report shall take into full account of the assumptions, limitations and special notes stipulated in the Asset Valuation Report and their impact on the conclusion of valuation.

Asset valuation report of entire equity value of shareholders of CGN Global Uranium Limited involved in the proposed transfer by China Uranium Development Company Limited of the entire equity of CGN Global Uranium Limited to CGN Mining Company Limited

Zhong Shui Zhi Yuan Ping Bao Zi [2018] No. 010172

SUMMARY

Zhongshuizhiyuan Assets Appraisal Co., Ltd. has accepted the joint commission of China Uranium Development Company Limited (hereinafter referred to as "China Uranium") and CGN Mining Company Limited (hereinafter referred to as "CGN Mining") to assess the market value of entire equity of shareholders in CGN Global Uranium Limited (hereinafter referred to as "CGN GU") on the Valuation Base Date of 30 June 2018 which involved in the proposed transfer by China Uranium of the entire equity of CGN GU to CGN Mining. The summary of the main contents of this Asset Valuation Report is hereby outlined below:

I. Purpose of valuation: According to the minutes, Guang He You Ji Yao [2018] No. 28, of CGNPC Uranium Resources Company Limited, and the minutes, Guang He Kuang Ji Yao [2018] No. 8, of CGN Mining, China Uranium proposes to transfer the entire equity of CGN GU to CGN Mining. Zhongshuizhiyuan Assets Appraisal Co., Ltd. has accepted the joint commission of CGN Mining and China Uranium to assess the market value of entire equity of shareholders in CGN GU involved in the above economic acts, to provide a reference for the value of the economic acts.

II. Target and scope of valuation: The target of valuation is the entire equity value of shareholders of CGN GU. The scope of valuation is the entire audited assets and liabilities of CGN GU. On the Valuation Base Date, 30 June 2018, the book value of the total assets of the company was US$112,234,600 (equivalent to RMB 742,611,500; the book value of total liabilities was US$106,227,800 (equivalent to RMB702,866,600); the book value of owner's equity was US$6,006,800 (equivalent to RMB39,744,900).

III. Type of value: The type of value of the valuation conclusion in this report is market value.

IV. Valuation Base Date: 30 June 2018.

V. Valuation method: The asset-based approach was adopted for the valuation method.

VI. Valuation conclusion: Upon valuation, as at the Valuation Base Date (i.e. 30 June 2018), the assessed value of entire equity of shareholders in CGN GU was US$8,553,800 (in words: Eight Million Five Hundred Fifty-Three Thousand Eight Hundred United States Dollars), representing an appreciation of US$2,547,000 or 42.40% as compared to the net book value of US$6,006,800.

The amount in US dollar is converted into RMB based on the effective exchange rate on the Valuation Base Date of US$1 = RMB6.6166: As at the Valuation Base Date (i.e. 30 June 2018), the assessed value of entire equity of shareholders in CGN GU was RMB56,597,100 (in words: Renminbi Fifty-Six Million Five Hundred Ninety-Seven Thousand One Hundred Yuan), representing an appreciation of RMB16,852,200 or 42.40% as compared to the book value of owners' equity of RMB39,744,900.

VII. Valuation Conclusion Validity: According to relevant regulations, the valuation conclusion of this report shall remain valid for one year from 30 June 2018 to 29 June 2019.

VIII. Special matters affecting the valuation conclusion: When using the valuation conclusion, users of this valuation report shall give attention and due consideration to the assumptions, restrictions, and special notes as stated in the text of the report as well as their impacts on the valuation conclusions.

The above contents are extracted from the full text of the Asset Valuation Report. To have a full understanding of the valuation business and a correct understanding of the valuation conclusion, please carefully read the full text of the Asset Valuation Report.

Asset valuation report of entire equity value of shareholders of CGN Global Uranium Limited involved in the proposed transfer by China Uranium Development Company Limited of the entire equity of CGN Global Uranium Limited to CGN Mining Company Limited

Zhong Shui Zhi Yuan Ping Bao Zi [2018] No. 010172

FULL TEXT

China Uranium Development Company Limited and CGN Mining Company Limited:

Zhongshuizhiyuan Assets Appraisal Co., Ltd has accepted the joint commission of the Companies to assess the market value of entire equity of shareholders of CGN Global Uranium Limited involved in the proposed transfer by China Uranium Development Company Limited of the entire equity of CGN Global Uranium Limited to CGN Mining Company Limited as at the Valuation Base Date (i.e. 30 June 2018) in accordance with the provisions of laws, administrative regulations and asset assessment guidelines and on the principle of being independent, objective, and justified with the asset-based approach and following the necessary valuation procedures.

The assets valuation is hereby reported as follows:

I. OVERVIEW OF THE PRINCIPALS, THE VALUED ENTITY AND OTHER ASSET VALUATION REPORT USERS STIPULATED IN THE ASSET VALUATION COMMISSION CONTRACT

(I) Overview of the Principals

1. Principal I – China Uranium Development Company Limited (hereinafter referred to as "China Uranium")

   Chinese name: 中國鈾業發展有限公司

   Address: Room 2807, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

   Legal status: Body corporate

   Effective date: 2017/10/17, expiry date: 2018/10/16

   Registration number: 37256412-000-10-17-4

   Business scope: Trading and investment in natural uranium

2. Principal II – CGN Mining Company Limited (hereinafter referred to as "CGN Mining")

   Chinese name: 中廣核礦業有限公司

   Address: Room 1903, 19/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

   Legal status: Body corporate

   Effective date: 2017/11/23

   Expiry date: 2018/11/22

   Registration number: 32234493-000-11-17-A

   Business scope: Trading in natural uranium and investment in uranium resources

(II) Overview of the Valued Entity

1. Basic information of the company

   Company code: 09142456

   Name: CGN GLOBAL URANIUM LIMITED (hereinafter referred to as "CGN GU")

   Type: Limited liability company (sole proprietorship of legal person)

   Address: First Floor, 50 St Andrews Street, Cambridge, Cambridgeshire, UK

   Registered capital: US$3,000,000

   Date of establishment: 22 July 2014

   Business scope: (I) Uranium product trading and related consultation and agency services; and (II) international sales of Husab products.

2. History of the valued entity and its shareholder and ownership structure as at the Valuation Base Date

CGN GU was established by capital contribution from China Uranium in 2014 and obtained registration certificate on 22 July 2014 with a registered capital of US$3,000,000 and in the registered name of CGN GLOBAL URANIUM LIMITED. The details of capital contribution are as follows:

Shareholder	Subscribed capital contribution *(US$)*	Paid in capital contribution *(US$)*	Method of capital contribution	Equity ratio *(%)*
China Uranium Development Company Limited	3,000,000	3,000,000	Monetary	100

As of the Valuation Base Date, the company's equity remained in the above structure.

3. Organization of the valued entity

The governance structure of CGN GU consists of the board of directors and the management. The board of directors of the company mainly comprises one managing director and five management members. Currently, the company has 5 departments, managed by the senior business analysis manager, sales manager, trade manager, finance manager and HR administration manager, respectively.

4. Principal operating conditions of the valued entity as of the Valuation Base Date and over the previous three years

(1) Principal operating activities

It is principally engaged in the overseas sales of natural uranium resources (purchasing from overseas and selling to the international market to earn the difference), and is the overseas uranium product trading platform of China General Nuclear Power Group.

(2) Principal operating conditions

According to the financial statement of CGN GU, the book value of its total assets was US$112,234,600 while that of its total liabilities was US$106,227,800, and that of owners' equity was US$6,006,800 as of the Valuation Base Date. The operating income from January to June in 2018 was US$44,726,000, with a net profit of US$1,967,000.

Financial position and results of operations in the past three years and as at the Valuation Base Date

In ten thousand US dollars

Items	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Total assets	9,134.80	14,860.60	12,458.00	11,223.46
Liabilities	8,685.60	15,040.40	12,054.00	10,622.78
Owners' equity	449.20	-179.80	404.00	600.68

Items	2015	2016	2017	2018 (January-June)
Income of operations	4,860.90	8,264.80	9,549.20	4,472.60
Profits of operations	188.50	-785.90	733.70	229.50
Total profits	188.50	-785.90	733.70	229.50
Net profits	149.20	-626.40	583.80	196.70

The above data was audited by Mazars LLP in an audit report without qualified opinion.

(3) Other users of the asset valuation report as stated in the asset valuation commission contract

The users of this appraisal report are the principals, other users of the appraisal report as stated in the asset valuation commission contract, and the users whose rights are enshrined in the law or administrative regulations.

Unless otherwise stated in the national law or regulations, any individual who or organizations which are not recognized by the asset appraisal agency or the principals cannot become a user of the asset valuation report even if they have access to it.

There are no other users of the asset valuation report for this report.

(4) The relationship between the principals and the valued entity

The commissioner China National Uranium is the parent company of the valued entity while the commissioner CGN Mining is the acquirer of this project. Both of them are under the control of China General Nuclear Power Corporation.

II. PURPOSE OF VALUATION

According to the minutes, Guang He You Ji Yao [2018] No. 28, of CGNPC Uranium Resources Company Limited, and the minutes, Guang He Kuang Ji Yao [2018] No. 8, of CGN Mining Company Limited, China Uranium proposes to transfer the entire equity of CGN Global Uranium Limited to CGN Mining Company Limited. Zhongshuizhiyuan Assets Appraisal Co., Ltd. has accepted the joint commission of China Uranium and CGN Mining to assess the market value of entire equity of shareholders in CGN GU involved in the above economic acts, to provide a reference for the value of the economic acts.

III. TARGET AND SCOPE OF VALUATION

(1) Target of the valuation

The target of this valuation is the entire equity value of shareholders of CGN GU.

(2) Assets and liabilities within the scope of the valuation

The scope of this valuation is entire audited assets and liabilities of CGN GU. As at the Valuation Base Date (i.e. 30 June 2018), the book value of the company's total assets was US$112,234,600 while that of its total liabilities was US$106,227,800, with that of owners' equity US$6,006,800.

Assets were classified into current and non-current assets. Current assets include monetary funds, prepayments, other receivables, inventory and other current assets. Non-current assets include fixed assets and long-term deferred expense.

Liabilities were classified into current liabilities and non-current liabilities. Current liabilities includes short-term loans, employee remuneration payable, tax payable, interest payable, other payables, and non-current liabilities due within one year. Non-current liabilities include long-term loans.

For further details of total assets and liabilities, please refer to Appendix "Tables of breakdown of asset valuation" in this report.

The target and scope of the valuation are in line with those related to the economic acts. They were audited by Mazars LLP in a standard audit report without qualified opinion.

(3) Legal ownership status, economic status and physical condition of main assets within the scope of valuation

1. The book value of monetary fund was US$1,350,800, which included bank deposits.

2. The book value of prepayments was US$276,300, which mainly included the prepaid lease rental of the office and warehouse and the related insurance expense.

3. The net book value of other receivables was US$119,300, which included deposits, tax prepayments, etc..

4. The book value of inventories was US$110,351,500, which were the stored merchandise U308. The characteristics of the merchandises stored in conversion plants are of large quantity and single variety.

5. The book value of other current assets was US$105,500, which included the VAT refund and deferred income tax assets formed by inventory impairment provision.

6. The net book value of fixed assets was US$10,200, which were 16 electronic equipment for the daily operation of the enterprise, including computers, printers, telephones, etc. The declared equipment was in the office of the company in Cambridge, England.

7. The book value of long-term deferred expense was US$21,100, which included leasehold improvements.

(4) Type and quantity of off-balance sheet assets declared by the enterprise

The off-balance sheet assets declared by the enterprise are the contractual interests, details of which are set out below:

No.	Supplier(s)	Payment date of purchase	Unit purchase prices *($/lbs)*	Client(s)	Collection date of sale proceeds	Unit of measurement	Quantity	Unit selling price *($/lbs)*
1	ITOCHU	2018-07-12	29.50	Susquehanna	2020-07-01	lbs	100,000.00	34.75
2	Centrus	2018-08-10	23.50	Luminant	2019-04-26	lbs	100,000.00	24.90
3	U1T	2018-07-23	22.30	UG	2021-07-15	lbs	369,968.93	27.22
4	Traxys	2018-08-02	22.75	THK	2019-03-01	lbs	100,000.00	23.90
5	Traxys	2018-08-10	23.00	THK	2019-03-01	lbs	100,000.00	24.15
6	UGUSA	2018-12-27	23.25	U1T	2022-01-30	lbs	60,000.00	28.50
7	ITOCHU	2019-01-15	22.60	Curzon	2020-04-02	lbs	100,000.00	24.58
			Total				**929,968.93**	

(5) Application of Professional Reports

The carrying values of assets and liabilities as at the Valuation Base Date in the valuation Report are audit results in the Audit Report with unqualified opinions issued by Mazars LLP.

IV. TYPES AND DEFINITION OF VALUE

For the purpose of the valuation, the type of value is determined as the market value.

Market value means the estimated value of the normal and equitable transaction conducted by the valued entity as at the Valuation Base Date under the circumstance that the willing buyers and sellers act reasonably and are without compulsion.

As the defined value type of the valuation conclusion in accepting the principals' engagement, market value is selected as the value type of the valuation on the principle of consistency between value type and valuation purpose, by taking market conditions and the conditions of the valuation subject into full consideration.

V. VALUATION BASE DATE

The Valuation Base Date of this project, which was determined by the principals, is 30 June 2018.

The reasons for selecting this date as the Valuation Base Date are:

(i) The Valuation Base Date meets the needs of the relevant economic acts and is conducive to the realization of valuation.

(ii) The Valuation Base Date is the accounting statement date of the valued entity, and also the balance sheet date of the audit report, which facilitate the asset appraisal firm to make full use of the existing financial information of the enterprise and is conducive to the completion of valuation.

VI. BASIS OF VALUATION

The asset appraisal mainly follows such valuation bases as basis of economic acts, basis of laws and regulations, basis of valuation standards, basis of asset ownership, and the basis of pricing in value estimation as well as other references, details of which are as follows:

(i) Basis of economic acts

1. The Minutes of Office Meeting of CGNPC Uranium Resources Company Limited, Guang He You Ji Yao [2018] No. 28 (廣核鈾紀要[2018]28號);

2. The Minutes of Office Meeting of CGN Mining Company Limited, Guang He Kuang Ji Yao [2018] No. 8 (廣核礦紀要[2018]8號).

(ii) Basis of laws and regulations

1. Asset Appraisal Law of the People's Republic of China (effective from 1 December 2016);

2. Measures for Financial Supervision and Administration of the Asset Appraisal Sector (Ministry of Finance Order No. 86);

3. Finance Act 2014;

4. Corporation Tax Act 2010;

5. Value Added Tax Act 1994;

6. Law of the People's Republic of China on State-owned Assets of Enterprises (adopted at the 5th session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

7. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council in 1991);

8. Implementation Rules of Administration Measures on the Valuation of State-owned Assets (Guo Zi Ban Fa [1992] No. 36)(國資辦發[1992]36號);

9. Rules on Certain Issues concerning the Administration of State-owned Assets Valuation (Order No.14 of the Ministry of Finance of the People's Republic of China, effective from 1 January 2002);

10. Interim Regulations on Supervision and Administration of Enterprises' State-owned Assets (Decree No. 378 of the State Council, 2003);

11. Opinions from the Ministry of Finance on the Reform of Administrative Measures of State-owned Assets Valuation to Strengthen the Supervision and Administration of Assets Valuation (Guo Ban Fa [2001] No. 102, 2001)(國辦發[2001]102號,2001年);

12. Interim Measures for the Management of Transfer of the State-owned Properties of Enterprises (Order No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance, 31 December 2003);

13. Interim Administrative Measures for the Appraisal of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council, 25 August 2005);

14. Notice of Strengthening the Administration of the Appraisal of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274)(國資委產權[2006]274號);

15. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC and the Ministry of Finance, 24 June 2016);

16. Notice of The Relevant Issues on Administration of the Overseas State-owned Property Right of Central Enterprises (Guo Zi Fa Chan Quan [2011] No. 144)(國資發產權[2011]144號);

17. Interim Administration Measures for Overseas State-owned Property Rights of Central Enterprises (Order No. 27 of the State-owned Assets Supervision and Administration Commission of the State Council);

18. Notice of Matters concerning Verification of State-Owned Assets Valuation Report of Enterprises (Guo Zi Chan Quan [2009] No. 941)(國資產權[2009]941號);

19. Notice on Printing and Issuing of the Guide on Filing for Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64)(國資發產權[2013]64號);

20. Other relevant laws, regulations and notice documents.

(iii) Basis of valuation standards

1. Asset Valuation Basic Standards (Cai Zi [2017] No. 43)(財資[2017]43號);

2. Asset Valuation Professional Ethical Standards (Zhong Ping Xie [2017] No. 30)(中評協[2017]30號);

3. Asset Valuation Practicing Standards – Asset Valuation Procedure (Zhong Ping Xie [2017] No. 31)(中評協[2017]31號);

4. Asset Valuation Practicing Standards – Asset Valuation Report (Zhong Ping Xie [2017] No. 32)(中評協[2017]32號);

5. Asset Valuation Practicing Standards – Asset Valuation Engagement Letter (Zhong Ping Xie [2017] No. 33)(中評協[2017]33號);

6. Asset Valuation Practicing Standards – Asset Valuation File (Zhong Ping Xie [2017] No. 34)(中評協[2017]34號);

7. Asset Valuation Practicing Standards – Utilization of Experts and Related Reports (Zhong Ping Xie [2017] No. 35)(中評協[2017]35號);

8. Asset Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2017] No. 36)(中評協[2017]36號);

9. Asset Valuation Practicing Standards – Machinery and Equipment (Zhong Ping Xie [2017] No. 39)（中評協[2017]39號）;

10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42)（中評協[2017]42號）;

11. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46)（中評協[2017]46號）;

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47)（中評協[2017]47號）;

13. Guiding Opinions on the Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48)（中評協[2017]48號）.

(iv) Basis of asset ownership

1. Certificate of incorporation;

2. The articles of association;

3. Important asset purchase contracts or vouchers;

4. Other contracts, accounting vouchers, accounting statements and other documents in relation to acquisition and using of the corporate assets.

(v) Basis of pricing

1. Statistic and analytical data of the macro-economy, industry, regional market and enterprises;

2. Financial statements and financial breakdown as at the Valuation Base Date and the past three years;

3. Financial accounting system of the enterprise;

4. Part of the contracts and agreements provided by the enterprise;

5. Other information obtained by the asset appraisal professionals via investigation.

(vi) Other references

1. Audit report;

2. List of assets and valuation forms provided by the enterprise;

3. The Handbook of Commonly Used Data and Parameters in Asset Valuation (《資產評估常用數據與參數手冊》);

4. Market research conducted by the asset appraisal professionals;

5. Relevant information on site investigation and inquiry conducted by the asset appraisal professionals;

6. Related documents provided by related departments and personnel of enterprise;

7. Statistical information and technical standards promulgated by relevant departments, and the relevant information about the macro-economy, industry analysis and market collected by the asset appraisal agencies as well as other relevant information.

VII. VALUATION METHOD

(I) Selection of Valuation Methods

According to the valuation purpose of the project, the scope of valuation covered all the assets and liabilities of the enterprise. According to the "Asset Valuation Basic Standards" and "Asset Valuation Standards – Enterprise Value" and other relevant provisions of the asset valuation standards, the basic asset valuation methods include the market approach, income approach and asset-based approach.

In valuation of enterprise value, the asset-based approach refers to the valuation method in which, based on the balance sheet of the valued entity on the Valuation Base Date, the value of identifiable assets and liabilities on and off the balance sheet shall be reasonably appraised so as to determine the value of the appraisal object. All the information of the project related to assets and liabilities within the scope of the valuation has been collected completely, the asset-based approach, therefore, is suitable for this project.

In valuation of enterprise value, the income approach refers to the valuation method used for determining the value of the valuation subject by capitalizing or discounting the expected income. The income approach primarily consists of discounted dividend method and discounted cash flow method. The discounted dividend method refers to the method in which the valued entity's value is determined by discounting expected dividends. Discounted cash flow method generally consists of the discounted enterprise free cash flow model and the discounted equity free cash flow model. The business operated by the valued entity involves the uranium trading with a fixed purchase price and selling price. On the one hand, the price of uranium cannot be predicted accurately; on the other hand, as the valued entity has only been established for a relatively short time, it did not have a strong sales network and stable suppliers, and the future sales volume and purchase volume cannot be predicted accurately. The valued entity has issued a written explanation regarding its inability to predict the future revenue accurately. As a result, this project does not meet the basic conditions of using the income approach.

In valuation of enterprise value, the market approach refers to the valuation method in which the valued entity shall be compared with the comparable listed companies or transactions so as to determine the value of the valued entity. The market approach primarily consists of the methods of comparing with listed companies and transactions. As no comparable listed companies are found in the publicly available information in the same industry as the valued entity and no transactions similar to the valued enterprise are found in the market, the market approach was not suitable for the project and was not adopted in the evaluation.

With reference to the background of the valued entity, the value types and the data collection status, the project adopts the asset-based approach for the valuation method.

(II) Determination method of the valuation conclusion

The valuation result based on the asset-based approach has been adopted as the valuation conclusion.

VIII. APPLICATION OF SPECIFIC EVALUATION METHODS FOR VARIOUS ASSETS AND LIABILITIES IN THE ASSET-BASED APPROACH

(I) Evaluation on current assets

1. Monetary fund

Monetary fund represents bank deposits.

For evaluation on monetary fund, the professional asset valuation personnel were provided with bank statements on the Valuation Base Date and reconciliation statements by the declaration and verified the balance of bank deposits.

2. Other receivables

For evaluation on other receivables, the professional asset valuation personnel checked the books of accounts and statements, on the basis of verification of business and age analysis, to verify the large amounts and realize its occurrence time, reasons for owing debts and the settlement, as well as available capitals, credits, business operation and management of debtors, and to access the recoverability of various receivables after conducting analysis. The assessed value was recognized at book value as no bad debts have been identified as unrecoverable.

3. Prepayments

For evaluation on prepayments, the professional asset valuation personnel reviewed and collected the relevant leasing contracts for offices and warehouses as well as insurance contracts to understand the settlement between the Valuation Base Date and the on-site survey date. Prepayments were mostly made in recent years. No bad debts were caused as a result of bankruptcy, liquidation, death, disappearance or other force majeure of such debtors. The assessed value was recognized at book value as no assets have been identified as unrecoverable or no relevant rights could not be obtained.

4. Inventory – goods-in-stock

For goods-in-stock, the actual numbers of goods-in-stock as at Valuation base Date was first confirmed pursuant to the books of accounts that are in line with the verification results and the assessed value was calculated after deducting management fees, finance costs and income tax expense based on the unit price agreed under the sales contract upon reviewing such sales contract for products.

The assessed value = actual quantity x sales unit price (tax exclusive) x (1 – rate of management fees – rate of finance costs – rate of income tax expense)

In which:

rate of management fees calculated from rate of historical fees;

rate of finance costs evaluated based on capital cost of the company and the time for utilizing such capital;

rate of income tax expense evaluated based on 19% of operating profit.

5. Other current assets

Other current assets are the value-added tax (VAT) return and the deferred income tax assets arising from provision of impairment of inventory. For the VAT return, the professional asset valuation personnel reviewed and collected relevant information to verify its related original underlying documents. The verified book value was taken as the assessed value. The deferred income tax assets are deductible temporary differences mainly arising from the difference between provisions made by the company according to the accounting policies and the impairment provision and other assets provisions deductible as permitted under tax laws. The provision made for impairment of inventory, reasonability and correctness were reviewed and verified in this evaluation. In respect of provision made for impairment of inventory, the price of inventory was evaluated based on the prevailing market price. In case of absence of impairment of inventory, the deferred income tax assets arising from impairment of inventory were taken as zero.

(II) Evaluation on equipment assets

Subject to the valuation objectives, the valuation was conducted using the replacement cost method according to the on-going utilisation principle, with the market price as basis taking into account the characteristics of the evaluated equipment and the collection of information.

The assessed value = complete replacement value x residue ratio

(1) Complete replacement value for electronic equipment

The complete replacement value for electronic equipment as at Valuation Base Date was determined according to the recent market price obtained from the local market information. In general, manufacturers shall provide delivery and installment service free of charge.

The complete replacement value = purchase price (tax exclusive)

(2) Determination of residue ratio

The residue ratio of electronic equipment and general equipment was determined using aging method.

Residue ratio = (1– utilized lifetime/economic lifetime) x 100%

Or residue ratio = remaining lifetime/(utilized lifetime + remaining lifetime) x 100%

(3) Determination of assessed value

The assessed value = complete replacement value x comprehensive residue ratio

(III) Evaluation on Long-term deferred expenses

Long-term deferred expenses were the upgrade costs of the leased fixed assets, which were mainly the expenses with an amortization period of more than one year. Upon verification, it was proven that the original amounts were true and accurate, the amortization period was reasonable and in compliance with laws and the amortization was timely and accurate. Its entitlement to relevant rights or assets was still effective in the future beneficial period. The assessed value was determined based on its rights or assets in the future beneficial period.

(IV) Evaluation on contractual interests

The professional asset valuation personnel have obtained the contracts related information to verify the principal contract terms such as supplier, purchase time, purchase unit price and supply price. The contractual interests were evaluated using the following methods and procedures:

1. Calculating the sales revenue by verifying the sales contract as sales revenue = sales volume x sales unit price

2. Calculating the sales cost by verifying the purchase contract as sales cost = purchase cost – purchase volume x purchase unit price

3. Evaluating the management fees incurred in the sales pursuant to the historical operation of the valued entity; evaluating the amount of the management fees pursuant to the average proportion of the actual management fees incurred to operation revenue of the company during 2016 to June 2018;

4. Evaluating the capital cost of the company by interest-bearing liabilities and interest rate as at the Valuation Base Date of the valued entity; calculating the unitization time of capital and finance cost based on the time period between the payment date for purchase contract and cash receipt date for sales contract;

5. Calculating the income tax incurred from the realized sales by evaluating the applicable income tax rate of 19% as at the Valuation Base Date;

6. Calculating the assessed value of contractual interests corresponding to each of the contract pursuant to the contractual interests = sales revenue – sales costs – management fees – finance costs – income tax.

(V) Evaluation on deferred income tax assets

The deferred income tax assets are deductible temporary differences mainly arising from the difference between provisions made by the company according to the accounting policies and the impairment provision and other assets provisions deductible as permitted under tax laws. The provision made for impairment of inventory, reasonability and correctness were reviewed and verified in this evaluation. In respect of provision made for impairment of inventory, the price of inventory was evaluated based on the prevailing market price. In case of absence of impairment of inventory, the deferred income tax assets arising from impairment of inventory were taken as zero.

(VI) Valuation of liabilities

The current liabilities and non-current liabilities declared by the enterprise, among which, current liabilities include short-term loans, employee remuneration payable, tax payable, interest payable, other payable and non-current liabilities due within a year; non-current liabilities include long-term loans. After verification of every item of liabilities in accordance with the breakdown statements of various items, the valuer determines whether each debt is actually assumed on the company's valuation base date, and whether a creditor exists for determining the appraised value.

IX. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

Professional assets valuation personnel implemented the valuation on the assets and liabilities of the valuation subject from 10 July 2018 to 10 August 2018. The implementation of valuation procedures are as follow:

(I) Identifying the basic requirements of valuation

The person-in-charge for our business negotiated with the representatives of the engagement party to identify the principals and other users of the asset valuation report in the asset valuation commission contract other than the principals; purpose of the valuation; the target and the scope of valuation; type of value; valuation base date; limitation on the usage of valuation report; time and methods for the submission of valuation report; total amount of the valuation service fee; time and methods for payment; other significant matters that required clarification such as the cooperation and collaboration between the principals and the professional assets valuation personnel.

(II) Entering into an assets valuation commission contract

Based on the specific valuation business, we conducted comprehensive analysis and assessment on our professional competence, independence and business risk, and the asset valuation agency determined whether to undertake the valuation business. An asset valuation agency undertaking asset valuation business should enter into an asset valuation commission contract with the engagement party according to laws and regulations to agree upon issues such as the rights, obligations and liabilities for breach of agreement of the assets valuation agency and the engagement party and dispute resolutions.

(III) Preparation of valuation plan

After undertaking the valuation business, we promptly organized professional assets valuation personnel to prepare the valuation plan, and reasonably determined the extent of complexity of the asset valuation plan. The assets valuation plan included the main procedures and schedules for implementing the asset valuation, staff arrangement and technical plan, etc.

(IV) Inspection and verification

Based on the specific conditions of valuation business, we conducted appropriate inspection and verification to the subject for valuation, including:

1. Required the principals and the valued entity to provide detailed information regarding the target and scope of valuation;

2. Required the principals or the valued entity to sign, seal and otherwise approved by laws to confirm the breakdowns of statements of valuations and relevant proof documents provided by them;

3. Professional assets valuation personnel obtained information required for the valuation business through enquiries, interviews, verifications and other means, understood the current status of the valuation subject and paid attention to the legal titles of the valuation subject;

4. Since not all assets and liabilities within the scope of valuation can or should be inspected one by one, we conducted investigations by sampling and other means based on level of importance.

(V) Collection of valuation information

We collected valuation information based on the specific situation of valuation business, and replenished and collected valuation information in a timely manner according to the needs of valuation business and changes in circumstances when implementing the valuation. Such information includes:

1. information independently and directly obtained from the market and other channels, information obtained from the principals, the valued entity and other related parties, as well as information obtained from government departments, professional institutions and other relevant departments;

2. enquiry records, inquiry results, inspection records, industry information, analysis data, appraisal reports, professional reports and government documents;

3. the professional assets valuation personnel conducted inspection and verification to the information used in assets valuation activities in accordance with laws and regulations. Means of inspection and verification generally include observation, enquiry, written examination, query, confirmation and review, etc.;

4. the professional assets valuation personnel analyzed, summarized and organized the collected valuation information according to the specific conditions of the asset valuation, which formed the basis for the valuation estimates and the preparation of asset valuation report.

(VI) Valuation estimates

The major work of the asset-based approach: based on price inquiry and market inquiry conducted in accordance with asset types, we selected a suitable estimation method, estimated the appraised value of various types of assets and liabilities, and summarized, analyzed and initially confirmed the valuation results by the asset-based approach.

(VIII) Preparation and submission of the valuation report

Based on the above work, we completed the initial draft of the asset valuation report. After preliminary review of the initial draft of the valuation report and the working paper, we carried out necessary communication with the principals or other relevant parties as agreed by them about the contents of the valuation report. After full consideration of the relevant opinions, we made necessary adjustments, modification and improvement on the valuation conclusion, and then carefully reviewed the report according to the internal assets appraisal report review systems and procedures; afterwards, the Company issued the official valuation report and submitted it to the principals.

X. VALUATION ASSUMPTIONS

(I) General assumption

1. Transaction assumption: assuming all assets to be valued are in the course of transaction and the valuation assessed by the assets valuer is based on comparable market including terms of transaction of the target assets.

2. Assumption of open market: assumption of open market is an assumption of the conditions for an asset to enter the market and impacts on the asset under such a market condition. An open market is fully and materially developed stage on which buyers and sellers are both free to choose and compete. In the open market, both parties of a transaction are equal, which means they are given the opportunity and time to acquire enough market information. Buyers and sellers are supposed to be voluntary and rational rather than being coerced or confined during the transaction.

3. Asset continuous use assumption: asset continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets in such market conditions. It is first assumed that the appraised entities are in use, and it is further assumed that the assets that are in use will be used continuously. Under asset continuous use assumption, no consideration is given to the conversion of the use of the assets or the use of the assets under the best condition. Thus, the valuation results are subject to a restricted scope of applicability.

4. Enterprise on-going basis assumption: the production and business of the valued entity may continue to operate, and there will be no significant change in their operating conditions during the foreseeable operating period.

(II) Special Assumptions

1. It is assumed that the external economic environment remains unchanged and there were no major changes in the macroeconomic environment where the enterprise is located as at the Valuation Base Date. Also, there were no major adverse effects caused by other unpredictable and force majeure factors.

2. There are no major changes in the socio-economic environment where the enterprise is located as well as the taxes, exchange rates, tax rates and other policies implemented.

3. It is assumed that the management of the enterprise in the future will act in a diligent manner, and the current operation and management model will be maintained.

4. It is assumed that the valued entity will fully comply with all local relevant laws and regulations and will not commit any material breaches which will affect the development and revenue of the company.

5. The valuation is based on the actual amount of stocks of all the assets as on the Valuation Base Date, and the current market prices of the relevant assets are based on the domestic effective prices on the Valuation Base Date.

6. It is assumed that the future accounting policies adopted by the valued entity after the Valuation Base Date is principally consistent with the accounting policies when the Valuation Report was made.

7. It is assumed that after the Valuation Base Date, based on the current management method and standard of the valued entity, the business scope and method of the valued entity shall be consistent with the current situation.

8. It is assumed that the enterprise will keep its existing credit policy unchanged and they will not encounter any material fund collection problem.

9. It is assumed that all basic information and financial information provided by the valued entity are true, correct and complete.

(III) Restrictive Conditions for the Valuation

1. This valuation result represents the estimation of the market value of the valued entity according to the purpose of this valuation and the assumption of an open market. The result neither takes into consideration any possible addition or deduction of price caused by a special transaction method that may affect the appraised value, nor any changes in the macroeconomic environment where the enterprise is located or any occurrence of natural force incidents and other force majeure events that may affect asset prices.

2. The Valuation Base Date used in this valuation report has been stated in the report. Our estimation of value is based on the purchasing power of the local currency in which the enterprise is located as at the Valuation Base Date.

This valuation result is achieved based on the above-mentioned assumptions and restrictive conditions. If there are any major changes in the assumptions and restrictive conditions, this valuation result will become invalid.

XI. APPRAISAL CONCLUSION

Our valuers conducted valuation on the entire equity value of shareholders in CGN GU in accordance with relevant national provisions on assets valuation and following the principles of independence, fairness and objectivity as well as the necessary valuation procedures. Based on the above valuation, we have drawn the following valuation conclusions:

Upon the implementation of the asset-based approach, the book value of total assets of CGN GU amounted to US$112,234,600, while the appraised value amounted to US$114,781,600, representing an increase of US$2,547,000 and an appreciation rate of 2.27%; the book value of total liabilities amounted to US$106,227,800, while the appraised value amounted to US$106,227,800, and there was no increase or decrease in the valuation; the book value of the owner's equity amounted to US$6,006,800, while the appraised value amounted to US$8,553,800, representing an increase of US$2,547,000 and an appreciation rate of 42.40%. The valuation results are further detailed in the following summary:

Summary of Asset Valuation Results (US$'0000)
Valuation Base Date: 30 June 2018

Unit: US$'0000

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Percentage Change (%) D=C/ Ax100%
Total current assets	1	11,220.33	11,355.07	134.74	1.20
Total non-current assets	2	3.13	123.09	119.96	3832.56
Including: Fixed assets	3	1.02	0.92	-0.10	-9.66
Intangible assets	4	–	120.06	120.06	
Other non-current assets	5	2.11	2.11	–	–
Total assets	6	**11,223.46**	**11,478.16**	**254.70**	**2.27**
Current liabilities	7	6,902.78	7,802.78	-0.00	-0.00
Non-current liabilities	8	3,720.00	3,720.00	–	–
Total liabilities	9	**10,622.78**	**10,622.78**	**-0.00**	**-0.00**
Owner's equity	10	**600.68**	**855.38**	**254.70**	**42.40**

An exchange rate of US$1 = RMB6.6166 has been used for the valuation results expressed in RMB as at the Valuation Base Date, the relevant results are as follows: the book value of total assets of CGN GU amounted to RMB742,611,500, while the appraised value amounted to RMB759,463,700, representing an increase of RMB16,852,200 and an appreciation rate of 2.27%; the book value of total liabilities amounted to RMB702,866,600, while the appraised value amounted to RMB702,866,600, and there was no increase or decrease in the valuation; the book value of the owner's equity amounted to

RMB39,744,900, while the appraised value amounted to RMB56,597,100, representing an increase of RMB16,852,200 and an appreciation rate of 42.40%. The valuation results are further detailed in the following summary:

Summary of Asset Valuation Results (RMB'0000)
Valuation Base Date: 30 June 2018

Unit: RMB'0000

Item		**Book value A**	**Appraised value B**	**Increase or decrease C=B-A**	**Percentage Change (%) D=C/ Ax100%**
Total current assets	1	74,240.44	75,131.94	891.50	1.20
Total non-current assets	2	20.71	814.43	793.72	3832.56
Including: Fixed assets	3	6.75	6.10	-0.65	-9.66
Intangible assets	4	–	794.39	794.39	
Other non-current assets	5	13.94	13.94	–	–
Total assets	6	**74,261.15**	**75,946.37**	**1,685.22**	**2.27**
Current liabilities	7	45,672.91	45,672.91	–	–
Non-current liabilities	8	24,613.75	24,613.75	–	–
Total liabilities	9	**70,286.66**	**70,286.66**	**–**	**–**
Owner's equity	10	**3,974.49**	**5,659.71**	**1,685.22**	**42.40**

Upon the valuation, as at 30 June 2018 (the Valuation Base Date), the appraised value of the entire equity interest of shareholders in CGN GU amounted to US$8,553,800 (in words: Eight Million Five Hundred Fifty-three Thousand Eight Hundred United States Dollars), representing an increase of US$2,547,000 and an appreciation rate of 42.40% as compared to the book value of the net assets of US$6,006,800.

Based on the valid exchange rate of US$1 = RMB6.6166 as at the Valuation Base Date (30 June 2018), the appraised value of the entire equity interest of shareholders in CGN GU was translated to RMB56,597,100 (in words: Renminbi Fifty-six Million Five Hundred Ninety-seven Thousand One Hundred Yuans), representing an increase of RMB16,852,200 and an appreciation rate of 42.40% as compared to the book value of the owner's equity interest of RMB39,744,900.

XII. SPECIAL NOTES

When using this valuation report, users shall pay attention to the possible impacts of the following special matters on the valuation conclusion and give due consideration while making decisions based on this report.

(I) For any flaws of the company that could possibly affect the asset valuation, in case that no specific indications were given upon the engagement by the principals whereas the asset appraisers were unable to obtain the relevant information despite of having fulfilled the valuation procedures, the asset valuation agency and the asset appraisers shall assume no liabilities.

(II) The preparation of this report is based on relevant documents of the acts, registration certificates, property certificates, financial statements, accounting documents and other information required for the valuation provided by CGN GLOBAL URANIUM LIMITED. The principals and related parties accept responsibility for the accuracy, legality and completeness of such information.

(III) The asset appraisers made the necessary verification of property rights within the scope of the valuation and made full disclosure of property rights issues found as far as possible. No disputes over property rights were found in this valuation. However, this valuation report is to issue professional valuation opinions on the valuation target, not as a legal proof of ownership of property. As such, this report cannot serve as a property certificate.

(IV) Use of professional report

Mazars LLP conducted an audit of CGN GU and issued an unqualified audit report. The audit report was the basis for the asset valuation report of CGN GU and the asset valuation.

(V) Description of the restricted valuation procedures

1. Subject to objective conditions, asset appraisers were unable to conduct on-site physical surveys, and conducted surveys and verifications only through the relevant materials provided by the valued entity, telephone interviews and videos.

2. The physical stock-taking procedure was unable to be performed for the products listed in the inventory account of the valued entity as those physical objects were stored in the conversion factory. The asset appraisers checked the delivery orders and shipping documents of the valued entity and referred to the external confirmations from its customers to prove the existence and physical status of such assets.

(VI) The valuation conclusion does not take into account the changes in tax obligations that may arise from the increase or decrease of the appraisal value.

(VII) Matters that may affect the valuation conclusion from the Valuation Base Date to the Date of Asset Valuation Report

In case of any change in the quantity and pricing basis of assets following the Valuation Base Date which affects the valuation conclusion, the valuation conclusion shall not be directly adopted and shall be adjusted or reassessed. The asset valuation agency does not assume any responsibility for the changes in assets, liabilities or market condition after the Valuation Base Date, nor bear obligation to revise the valuation report with regard to events or circumstances arising after the Valuation Base Date.

(VIII) The valuation conclusion is issued by Zhongshui Zhiyuan Assets Appraisal Co., Ltd. and subject to the practicing standards and capacity of its asset appraisers.

Users of the asset valuation report should note the impact of the above special matters on the valuation conclusion.

XIII. STATEMENT OF RESTRICTIONS ON THE USE OF THE VALUATION REPORT

(I) This valuation report only serves for the valuation purpose specified herein, and shall not be used for other economic activities besides the valuation purpose.

(II) The asset valuation agency and its asset appraisers disclaim any liability arising from the use of this asset valuation report by the principals or other users of this report in violation of laws, administrative regulations and the scope specified herein.

(III) Apart from the principals, other users of this asset valuation report stipulated in the asset valuation commission contract, and the report users stipulated under laws and administrative regulations, any other entity or individual shall not be a user hereof.

(IV) The users of this asset valuation report shall establish a proper understanding of the valuation conclusion. The valuation conclusion is not equal to, and should not be regarded as a guarantee for, the realizable value of the valuation target.

(V) This report shall be signed by two asset appraisers and sealed by the asset valuation agency, and shall have legal effect and be officially used only after the asset valuation report has been approved or filed by the competent approval or filing management unit in accordance with the relevant provisions in respect of the state-owned asset management.

(VI) Where the whole or part of the contents of the valuation report have been extracted, quoted, or disclosed to public media, it shall be subject to the written consent of the valuation agency, unless otherwise stipulated by laws, regulations and agreed by relevant parties.

(VII) The valuation conclusion of this report shall remain valid for one year from the Valuation Base Date (i.e. 30 June 2018) to 29 June 2019. If the purpose of this valuation is fulfilled within one year after the Valuation Base Date, the valuation conclusion can be used as a reference for such purpose. If the purpose remains unfulfilled after the one year, a new valuation needs to be conducted.

XIV. DATE OF ASSET VALUATION REPORT

This report was prepared on 27 September 2018.

For and on behalf of
ZHONGSHUI ZHIYUAN ASSETS
APPRAISAL CO., LTD

Legal representative of the valuation agency: Jiang Jianying

Asset Appraiser: Liu Yingmin

Asset Appraiser: Liu Jian

27 September 2018

Appendix of Asset Valuation Report

1. Documents on the economic acts (photocopies);

2. Audit report of the valued entity as at the Valuation Base Date (photocopies);

3. Business licenses or registration certificates of the principals and the valued entity (photocopies);

4. Property title registration certificates of the principals and the valued entity (photocopies);

5. Letters of undertaking of the principals and other relevant parties;

6. Letter of commitment of the signing asset appraisers;

7. Business license of the asset valuation agency (photocopies);

8. Asset valuation qualification certificate of the asset valuation agency (photocopies);

9. Asset valuation qualification certificate for securities business of the asset valuation agency (photocopies);

10. Qualification certificates of the asset appraisers (photocopies);

11. Related pages of the asset valuation commission contract (photocopies);

12. Tables of breakdown of asset valuation (to be provided separately);

13. Descriptions of asset valuation (to be provided separately).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
50,000,000,000	Shares	500,000,000.00
Issued and fully paid, or credited as fully paid:		*HK$*
6,600,682,645	Shares	66,006,826

All the existing shares in issue are fully paid and rank pari passu in all respects including all rights as to voting, dividends and interests in capital.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into shares.

3. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives

Interests in the shares

As at the Latest Practicable Date, none of the Directors, chief executive and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix 10 of the Listing Rules.

Other interests

As at the Latest Practicable Date,

(a) none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2018, the date to which the latest published audited financial statement of the Group was made up;

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group taken as a whole; and

(c) none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group or had any other conflict of interest with the Company.

(ii) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	**Capacity**	**Number of shares**	**Approximate percentage of shareholding**
The Vendor *(Note 1)*	Beneficial owner	4,288,695,652 (L)	64.97% (L)
CGNPC Uranium Resources Company Limited* 中廣核鈾業發展有限公司 *(Notes 1 and 2)*	Interest in a controlled corporation	4,288,695,652 (L)	64.97% (L)

Name of substantial Shareholder	Capacity	Number of shares	Approximate percentage of shareholding
China General Nuclear Power Corporation 中國廣核集團有限公司 *(Notes 1 and 2)*	Interest in a controlled corporation	4,288,695,652 (L)	64.97% (L)
Hong Kong Xinmao Investment Co., Limited *(Note 3)*	Beneficial owner	659,400,000 (L)	9.99% (L)
Hainan Mining Co., Ltd* 海南礦業股份有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Shanghai Fosun Industrial Investment Co. Ltd. 上海復星產業投資有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Shanghai Fosun High Technology (Group) Co., Ltd. 上海復星高科技(集團)有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Fosun International Limited 復星國際有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Fosun Holdings Limited 復星控股有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Fosun International Holdings. Ltd. 復星國際控股有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Guo Guangchang 郭廣昌 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)

Name of substantial Shareholder	Capacity	Number of shares	Approximate percentage of shareholding
State-owned Assets Supervision and Administration Commission of Hainan Province 海南省政府國有資產監督管理委員會 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)
Hainan Haigang Group Co., Ltd 海南海鋼集團有限公司 *(Note 3)*	Interest in a controlled corporation	659,400,000 (L)	9.99% (L)

Notes:

1. The long positions represent (i) the 4,278,695,652 shares held by the Vendor; and (ii) the 10,000,000 shares outstanding charged (pursuant to the share charge dated 1 April 2011, 450,000,000 shares were charged by Perfect Develop Holding Inc., a company established by the Directors of the preceding controlling shareholders of the Company, in favour of the Vendor, of which 225,000,000 shares, 180,000,000 shares and 35,000,000 were released on 18 February 2014, 31 May 2016 and 10 April 2018 respectively, the remaining 10,000,000 were still charged in favour of the Vendor).

2. CGNPC Uranium Resources Company Limited* holds 100% of the issued share capital of the Vendor. CGNPC holds 100% of the equity interest of CGNPC Uranium Resources Company Limited*. Therefore, it is deemed to be interested in the interest held by the Vendor.

3. On 8 November 2016, the Company entered into a subscription agreement with Hong Kong Xinmao Investment Co., Limited (as subscriber), pursuant to which Hong Kong Xinmao Investment Co., Limited conditionally agreed to subscribe for and the Company conditionally agreed to place and issue a total of 659,400,000 subscription shares. The subscription price was HK$0.52 per subscription share and the transaction was completed on 13 December 2016. For details of the transaction, please refer to the announcements issued by the Company on 9 November and 13 December 2016 respectively.

4. The letter "L" denotes the person's/entity's long position in the shares.

Save as disclosed above, the Directors were not aware of any person as at the Latest Practicable Date who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) had an interest in a business which competes or may compete with the business of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

There was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the businesses of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 30 June 2018 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any service contract with any member of the Group which will not expire or be terminable by the Group within one year without payment of compensation (other than statutory compensation).

7. LITIGATIONS

As at the Latest Practicable Date, no litigation or claims of material importance (including any litigation or claims that may have any material influence on rights to explore or mine) was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(i) Subscription Agreement with Hong Kong Xinmao Investment Co., Limited entered into on 8 November 2016 between CGN Mining Company Limited as the target company and Hong Kong Xinmao Investment Co., Limited as the subscriber in the consideration of approximately HK$342.9 million;

(ii) The Third Supplemental Deed to the Subscription Agreement entered into on 11 December 2017 between Sichuan Hengtai Pharmaceutical Co. Ltd. and CGN Mining Company Limited for the purpose of making certain arrangement to mortgage or charge properties of Sichuan Hengtai Pharmaceutical Co. Ltd. in favor of CGN Mining Company Limited to replace previous 35,000,000 charged shares; and

(iii) The Sale and Purchase Agreement.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Shinewing (HK) CPA Limited	Certified Public Accountants
Gram Capital Limited	Independent Financial Advisor
Zhongshui Zhiyuan Assets Appraisal Co., Ltd	Independent Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have, directly or indirectly, any interest in any assets which had since 31 December 2017 (being the date to which the latest published consolidated audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MISCELLANEOUS

(i) The registered office and principal place of business of the Company in Hong Kong is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1903, 19/F, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong respectively.

(ii) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(iii) The company secretary of the Company is Ms. Zheng Xiaowei.

(iv) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Room 1903, 19/F, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong on any Business Day from the Latest Practicable Date up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the material contracts of the Company as set out in the sub-paragraph headed "8. Material Contracts" in this appendix;

(iii) the letter from the Independent Board Committee as set out on page 16 of this circular;

(iv) the letter of advice from Gram Capital as set out on page 17 of this circular;

(v) the accountant's report of the Target Company, the text which is set out in Appendix II to this circular;

(vi) the report on the unaudited pro forma financial information of the Enlarged Group, the text which is set out in Appendix IV to this circular;

(vii) the Valuation Report, the text of which is set out in Appendix V to this circular;

(viii) the written consents referred to under the paragraph headed "Experts and Consents" in this appendix;

(ix) the annual reports of the Company for each of the three financial years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018; and

(x) this circular.

中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1164)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CGN Mining Company Limited ("Company") will be held at Boardroom 3-4, M/F., Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 15 January 2019 (Tuesday) at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

Capitalized terms used in this notice shall have the same meaning as those defined in the Circular of the Company dated 28 December 2018 to the Shareholders (the "Circular") unless otherwise specified.

ORDINARY RESOLUTIONS

"**THAT**

a. the sale and purchase agreement (the "Sale and Purchase Agreement") dated 16 November 2018 entered into between the Company (the "Purchaser", as the purchaser) and China Uranium Development Company Limited (中國鈾業發展有限公司), the substantial shareholder of the Company (the "Vendor", as the vendor) (a copy of the Sale and Purchase Agreement is tabled at the meeting and marked "A" and initialled by the chairman of the meeting (the "Chairman") for identification purpose), pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued and paid-up share capital of CGN Global Uranium Limited ("Target Company") at a consideration of USD8,553,800, which will be satisfied by the Company in the form of cash payment to the account as designated by the Vendor on the Completion Date, pursuant to the terms and subject to the conditions set out in the Sale and Purchase Agreement, and the execution of the Sale and Purchase Agreement by the Purchaser, be and are hereby approved, ratified and confirmed; and that any other transactions contemplated under the Sale and Purchase Agreement, be and are hereby approved;

b. the directors of the Company be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable, or expedient to implement and give effect to the terms of, and all transactions contemplated under, the Agreement for and on behalf of the Company and to approve any change and amendment thereto

* *For identification purpose only*

(including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Sale and Purchase Agreement) as they may consider necessary, desirable or expedient."

By Order of the Board
CGN Mining Company Limited
An Junjing
Chief Executive Officer

Hong Kong, 28 December 2018

Head Office and principal place of business:
Room 1903, 19/F
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

Registered Office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the head office and principal place of business of the Company at Room 1903, 19/F, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this circular, the Board comprises two executive directors: Mr. An Junjing (chief executive officer) and Mr. Chen Deshao; three non-executive directors: Mr. Yu Zhiping (chairman), Mr. Sun Xu and Mr. Yin Xiong; and three independent non-executive directors: Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis.