THIS CIRCULAR 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 registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CNNC International Limited, you should at once hand this circular and the form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

中核集团
CNNC

CNNC INTERNATIONAL LIMITED
中核國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

CONTINUING CONNECTED TRANSACTIONS; AND NOTICE OF EGM

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

红日资本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from Red Sun Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 52 of this circular.

A notice convening the EGM to be held at Runnovation Shop 4, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong on Monday, 17th June, 2024 at 3:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

21st May, 2024

CONTENTS

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

"2024 Framework Agreement"	the framework agreement to be entered into between the Company and CNUC in respect of the Uranium Supply Transaction, the Uranium Agency Transaction and the Uranium Purchase Transaction
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CNNC"	China National Nuclear Corporation (中國核工業集團有限公司), which was directly wholly owned by the SASAC (中國國務院國有資產監督管理委員會) as at the Latest Practicable Date
"CNNC Group"	CNNC and its subsidiaries (other than the Group)
"CNOL"	CNNC Overseas Limited (中核海外有限公司) (formerly known as CNNC Overseas Uranium Holding Limited (中核海外鈾業控股有限公司), a company incorporated in Hong Kong with limited liability, being the immediate holding company of the Company holding approximately 66.72% Shares as at the Latest Practicable Date. CNOL was wholly owned by CNUC as at the Latest Practicable Date
"CNUC"	China National Uranium Co., Limited (中國鈾業股份有限公司), a company established in the PRC with limited liability and was indirectly owned by CNNC as at the Latest Practicable Date
"CNUC Group"	CNUC and its subsidiaries (other than the Group)
"Company"	CNNC International Limited (中核國際有限公司), a company incorporated in the Cayman Islands whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2302)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and held at Runnovation Shop 4, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong on Monday, 17th June, 2024 at 3:30 p.m., to consider and, if thought fit, approve the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
"Existing Annual Cap(s)"	the existing annual cap(s) for each of the uranium supply transaction and the uranium purchase transaction as set out in Existing Framework Agreement
"Existing Framework Agreement"	the framework agreement dated 23rd February, 2022 (as supplemented by a supplemental agreement dated 26th May, 2022) and entered into between the Company and CNUC in respect of the uranium supply transaction and the uranium purchase transaction, which was approved by independent Shareholders at an extraordinary general meeting of the Company held on 23rd June, 2022
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi, all being independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
"Independent Financial Adviser" or "Red Sun Capital"	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder
"Independent Shareholder(s)"	the Shareholder(s) other than CNOL and its associates
"Independent Third Party(ies)"	individual(s) or company(ies) who or which is/are not the connected person(s) of the Company

"Latest Practicable Date"	13th May, 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Price Floor"	has the meaning as defined in the section headed "II. The 2024 Framework Agreement — Transactions — (a) The Uranium Supply Transaction — (iii) Price adjustment mechanism" in the letter from the Board of this circular
"Proposed Annual Caps"	the proposed annual caps for each of the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction as set out in the section headed "III. Background of the Continuing Connected Transactions, Historical Transaction Amounts and Proposed Annual Caps" in the letter from the Board of this circular
"Rössing Uranium Mine"	a uranium mine in Namibia which was indirectly owned by CNUC as to 68.62% as at the Latest Practicable Date and is operated by Rössing Uranium Limited
"Rössing Uranium Products"	has the meaning as defined in the section headed "II. The 2024 Framework Agreement — Transactions — (c) The Uranium Purchase Transaction — (i) Subject matter" in the letter from the Board of this circular
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TradeTech"	TradeTech of Denver Tech Centre, an independent provider of uranium prices and nuclear fuel market information

"ton U"	metric ton of uranium metal, where 1 ton U equals to approximately 2,599.79 pounds U_3O_8
"U_3O_8"	the form of natural triuranium octaoxide, a compound of uranium that is a common form in which uranium is sold and traded
"Uranium Agency Transaction"	the proposed supply of uranium products by the Group, acting as an agent, to the CNUC Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed "II. The 2024 Framework Agreement — Transactions — (b) The Uranium Agency Transaction" in the letter from the Board of this circular
"Uranium Purchase Transaction"	the proposed purchase of Rössing Uranium Products by the Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed "II. The 2024 Framework Agreement — Transactions — (c) The Uranium Purchase Transaction" in the letter from the Board of this circular
"Uranium Supply Transaction"	the proposed supply of uranium products by the Group to the CNUC Group pursuant to the 2024 Framework Agreement, details of which are as set out in the section headed "II. The 2024 Framework Agreement — Transactions — (a) The Uranium Supply Transaction" in the letter from the Board of this circular
"UxC"	UxC, LLC, a market research and analysis company in the nuclear industry
"%"	per cent

CNNC INTERNATIONAL LIMITED
中 核 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

Chairman and Non-executive Director:
Mr. Wang Cheng

Chief Executive Officer and Executive Director:
Mr. Zhang Yi

Non-executive Directors:
Mr. Wu Ge
Mr. Sun Ruofan

Independent Non-executive Directors:
Mr. Cui Liguo
Mr. Zhang Lei
Mr. Chan Yee Hoi

Registered Office:
P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business:
Unit 2906,
29th Floor,
China Resources Building,
No.26 Harbour Road,
Wanchai, Hong Kong

21st May, 2024

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS; AND NOTICE OF EGM

I. INTRODUCTION

Reference is made to the announcement of the Company dated 18th April, 2024. The purpose of this circular is to provide you with, among other things, further details of the 2024 Framework Agreement and the transactions contemplated thereunder.

II. THE 2024 FRAMEWORK AGREEMENT

Parties

(a) The Company (for itself and on behalf of each of its subsidiaries); and

(b) CNUC (for itself and on behalf of each of its subsidiaries (other than the Group)).

As at the Latest Practicable Date, the Company was directly owned as to approximately 66.72% by CNOL, which in turn, is directly wholly owned by CNUC. CNUC is indirectly owned by CNNC, which in turn, is directly wholly owned by the SASAC.

Term

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

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

Transactions

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

(a) The Uranium Supply Transaction

(i) Subject matter

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

The 2024 Framework Agreement stipulates that other than (a) the CNUC Group's own natural uranium mined from its own mines; and (b) the CNUC Group's purchases of natural uranium products conducted in accordance with such procurement agreements which are still effective as at the date of the 2024 Framework Agreement, the Group shall act as the CNUC Group's exclusive supplier of natural uranium products purchased from sellers other than those based in Asia and Africa.

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

(ii) Selling price of the natural uranium products

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

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

where,

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

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

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

Note:

According to the website of UxC (www.uxc.com), UxC's month-end spot price indicators reflect the most competitive offers available for uranium U_3O_8, taking into account bids and transaction prices and factored in conditions for delivery timeframe, quantity, and origin considerations, while the month-end long-term price indicators include conditions for escalation, delivery timeframe, and quantity flexibility consideration. These price indicators are based on market information collected by UxC from various sources including producers, utilities, intermediaries, and brokers. UxC's month-end spot price indicators and month-end long-term price indicators are published on the last Monday of each month through the subscribed newsletter publication "Ux Weekly" and also made available on UxC's website (www.uxc.com) with a subscription which is open to the public.

According to the website of TradeTech (www.uranium.info), TradeTech's month-end spot price indicators and month-end long-term price indicators are determined based on a judgment-based approach that incorporates a variety of market data and dynamics. For spot price indicators, TradeTech analyses transactions, offers, and other market data, focusing on significant uranium quantities to ensure the data accurately reflects market activity. For long-term price indicators, they are based on TradeTech's judgment of the base price at which transactions for long-term delivery of that product or service could be concluded, for transactions in which the price at the time of delivery would be an escalation of the base price from a previous point in time. TradeTech's month-end spot price indicators and month-end long-term price indicators are published on the last day of each month through the subscribed newsletter publication "Nuclear Market Review" and also made available on TradeTech's website (www.uranium.info/nuclear_market_review.php) with a subscription which is open to the public.

For further information on UxC and TradeTech, please refer to the section headed "Information on UxC and TradeTech" in the letter from the Board of this circular below.

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

(iii) Price adjustment mechanism

(1) Quantity discount

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

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

(2) Price Floor

The parties, after arm's length negotiation, have agreed that the selling price of the natural uranium products charged by the Group shall, in any event, not be lower than the procurement cost plus a mark-up of 4% (the "**Price Floor**"). The mark-up of 4% was determined based on arm's length negotiations, having made reference to the prevailing deposit interest rates of United States dollar (being the main currency used by the Group in its trading of natural uranium products business) ranging from approximately 3% to 5% for time deposits for 3 months, 6 months and 12 months offered by major licensed banks in Hong Kong, and having taken into account the risks to be borne by the Group, such as inventory risks, credit risks and pricing risks.

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

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

(b) The Uranium Agency Transaction

(i) Subject matter

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

(ii) Resale price of the natural uranium products

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

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

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

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

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

(c) The Uranium Purchase Transaction

(i) Subject matter

As at the Latest Practicable Date, Rössing Uranium Mine was a uranium mine in Namibia which was indirectly owned by CNUC as to 68.62%.

Pursuant to the 2024 Framework Agreement, the CNUC Group shall procure Rössing Uranium Limited (the operator of Rössing Uranium Mine) to appoint the Group as its exclusive authorised distributor for the sale and distribution of uranium products mined at Rössing Uranium Mine (the "**Rössing Uranium Products**") in all countries and regions around the world except the PRC. Under the arrangement, the Group shall purchase Rössing Uranium Products from Rössing Uranium Mine for on-sale to its third party customers which are based outside the PRC and identified by the Group.

(ii) Purchase price of Rössing Uranium Products

The purchase price of Rössing Uranium Products payable by the Group to Rössing Uranium Limited (the operator of Rössing Uranium Mine) shall be at a discount of 2% of the resale price of such Rössing Uranium Products charged by the Group to third party on-sale customers. The aforementioned pricing arrangement was arrived at between the parties after arm's length discussions and taking into consideration (a) the value-adding services provided by and the risks to be borne by the Group; and (b) the historical gross profit margin for the Group's similar natural uranium trading business with Independent Third Parties (which ranged between 1.13% and 3.39% for trades conducted during the year ended 31 December, 2023). The Directors consider that the pricing mechanism adopted in the 2024 Framework Agreement for the Uranium Purchase Transaction is fair and reasonable having regard to the limited transaction risk exposure and the corresponding distribution services to be rendered, as well as the relative comparability in terms of the range of gross profit margin from other similar transactions with Independent Third Parties.

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

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

There is no minimum commitment on the Rössing Uranium Products to be purchased and resold by the Group under the Uranium Purchase Transaction. The CNUC Group shall procure Rössing Uranium Limited to enter into separate implementation contract(s) with the Group in respect of each purchase transaction which will set out the specific terms for the relevant purchase transaction.

III. BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS, HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The Group is principally engaged in the trading of natural uranium products and it is the strategic positioning of the Group to become the CNUC Group's major platform in overseas uranium resources exploration, development and trading through leveraging the Group's competitive advantages. Under this backdrop and with the entering into of the Existing Framework Agreement in February 2022, the Group commenced transacting with the CNUC Group, encompassing both the uranium supply transaction and the uranium purchase transaction under the terms specified in the Existing Framework Agreement, with the then proposed annual caps (the "**Existing Annual Cap(s)**") for each of the two financial years ended 31st December, 2023 of (i) in respect of the uranium supply transaction, HK$1,000 million and HK$1,300 million, respectively; and (ii) in respect of the uranium purchase transaction, HK$1,300 million and HK$1,300 million, respectively.

During the two financial years ended 31st December, 2023, transaction amounts for the uranium supply transaction under the Existing Framework Agreement amounted to approximately HK$205.8 million and approximately HK$368.7 million, and the Group earned commission income from the uranium purchase transaction under the Existing Framework Agreement totalling approximately HK$14.2 million (or, in terms of purchase amount from Rössing Uranium Limited, approximately HK$697.0 million) and approximately HK$13.1 million (or, in terms of purchase amount from Rössing Uranium Limited, approximately HK$639.8 million), respectively.

The Directors consider the lower-than-expected utilisation rates of the Existing Annual Caps for uranium supply transaction was primarily attributable to the following factors:

(a) while the Group only obtained the Shareholders' approval for transactions under the Existing Framework Agreement in late-June 2022 (leaving less than half a year for the commencement of the uranium supply transaction), additional time was required during the initial stage of transaction preparation to establish initial trade dialogue with various suppliers and coordinate for the required physical delivery arrangements (as the transaction mode of the uranium supply transaction under the Existing Framework Agreement was new to the Group at the relevant time), which also impacted the timing of certain of the Group's procurement contracting arrangements; and

(b) on the other hand, while the Existing Annual Cap of the uranium supply transaction for the financial year ended 31st December, 2023 was initially set based on the CNUC Group's projected base schedule of approximately 2.6 million pounds U_3O_8 (with additional buffer factored in for potential price and demand fluctuations), the lower-than-expected actual utilisation was primarily impacted by the unexpected interruptions in the uranium transit route from Uzbekistan through Kazakhstan (the "**Unexpected Transit Route Interruptions**") since around

April 2023. To the best of understanding of the Group's management, the Unexpected Transit Route Interruptions remained to be the case, and, to this end, the Group has been securing sources of uranium products in alternative origins which do not rely on the said transit route for physical delivery, with a view to safeguarding its ability to replenish the uranium supply shortfall in 2023 as well as fulfilling the scheduled purchases of the CNUC Group for the financial year ending 31st December, 2024.

On the basis that (i) the initial delays associated with setting up under the Existing Framework Agreement were circumstantial and temporary, whereas the Group has now established the necessary transaction mechanisms, ensuring more efficient operations moving forward, and (ii) due to the Unexpected Transit Route Interruptions and in response, the Group has proactively secured uranium sources from alternative origins that do not rely on the disrupted routes, the Directors consider that these issues, which contributed to the previously lower-than-expected utilisation rates of the Existing Annual Caps for uranium supply transaction, will not have a material impact on the utilisation rates of the Proposed Annual Caps set out hereinbelow.

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

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

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

(a) In respect of the Uranium Supply Transaction, by applying the UxC U_3O_8 uranium spot and long-term price indicators at the month-end of March 2024 to the proposed pricing mechanism and incorporating an upward adjustment of 5% to arrive at a reference price (the "**Referenced Uranium Price Indicators**", which rounded to about US$85 per pound U_3O_8 and represented almost a twofold rise from the price levels recorded in the first quarter of 2022), and multiplied by the projected cap sales volume of uranium products to the CNUC Group for the two financial years ending 31st December, 2025, where:

(i) the projected cap sales volume of uranium products for the financial year ending 31st December, 2024 is arrived at after taking into account (A) the indicative purchase volume for the financial year ending 31st December, 2024 as provided by the CNUC Group together with the supply shortfall carried over from the year ended 31 December 2023 (in aggregate of about 1,250 tons U, or approximately 3.3 million pounds U_3O_8); and (B) a slight buffer to cater for price and demand fluctuations (of about 50 tons U, or approximately 130,000 pounds U_3O_8); and

(ii) the projected cap sales volume of uranium products for the financial year ending 31st December, 2025 is arrived at after taking into account the indicative base procurement schedule for the financial year ending 31st December, 2025 as provided by the CNUC Group (of about 1,000 tons U, or approximately 2.6 million pounds U_3O_8), together with an added buffer to accommodate for price and demand fluctuations as well as potential carryovers into 2025 in case of any delay in deliveries scheduled for 2024 due to unforeseen circumstances.

(b) In respect of the Uranium Agency Transaction, by applying the proposed commission rate of 2% to the product of (i) the Referenced Uranium Price Indicators, and (ii) the preliminary estimates of the potential volume of uranium products that may be procured per the CNUC Group's sporadic demand under the agency arrangement (which amounted to around half of the estimated cap volume of uranium products under the Uranium Supply Transaction for each of the respective financial years).

(c) In respect of the Uranium Purchase Transaction, by applying the proposed commission rate of 2% to the product of (i) the Referenced Uranium Price Indicators, and (ii) the preliminary estimates of amount of Rössing Uranium Products to be purchased by the Group during the term of the 2024 Framework Agreement (after taking into account the estimated annual production volume and prior contractual commitments of the Rössing Uranium Mine in each of the respective financial years).

The Directors (excluding the independent non-executive Directors who shall form their view after receiving the advice from the Independent Financial Adviser) consider that the assumptions taken into account in determining the Proposed Annual Caps are made on a fair and reasonable basis, and that, based on the aforesaid factors, the Proposed Annual Caps are fair and reasonable.

IV. INTERNAL CONTROL MEASURES ADOPTED BY THE GROUP

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

(a) each transaction under the 2024 Framework Agreement shall be initiated by the international trading department, and reviewed by the head of the international trading department, finance department, legal department, and the vice general manager in charge of the international trading department of the Group. Upon approval by all the above parties, the transaction is recommended for approval by the chief executive officer. The approving parties shall observe that the terms of each transaction under consideration are comparable to the terms of comparable transactions with Independent Third Parties before approving a transaction;

(b) prior to entering into any transaction under the 2024 Framework Agreement, the designated staff member from the international trading department of the Group shall check to ensure the pricing mechanism adopted is in accordance with the terms of the 2024 Framework Agreement. Set out below are the particular internal control procedures to be carried out by the aforesaid designated staff:

(i) regarding the Uranium Supply Transaction, the designated staff will monitor to ensure that the transaction price in each implementation contract is fixed by adopting the relevant prices indexes as published in the monthly issues of "Ux Weekly" by UxC and "Nuclear Market Review"" by TradeTech pursuant to the pricing formula as stipulated in the 2024 Framework Agreement and is subject to the Price Floor;

(ii) regarding the Uranium Agency Transaction:

(A) the designated staff will monitor to ensure that the transaction price in each implementation contract is fixed at a premium of 2% over the purchase price charged to the Group by the relevant third party suppliers; and

(B) the designated staff will monitor to ensure that the payment terms offered by the CNUC Group to the Group in each implementation contract are no less favourable to the Group than those offered by the relevant supplier(s) to the Group of the particular transaction; and

(iii) regarding the Uranium Purchase Transaction:

(A) the designated staff will monitor to ensure that the purchase price of Rössing Uranium Products payable by the Group to Rössing Uranium Limited (the operator of Rössing Uranium Mine) in each implementation contract is at a discount of 2% of the resale price of such Rössing Uranium Products charged by the Group to third party on-sale customers; and

(B) the designated staff will monitor to ensure that the payment terms offered by Rössing Uranium Limited to the Group in each implementation contract are no less favourable to the Group than the terms offered by the Group to its on-sale customer(s) of the particular transaction;

(c) the chief executive officer will approve each and every transaction under the 2024 Framework Agreement before it is executed;

(d) the designated staff member from the finance department of the Group will continuously monitor the accumulated transaction amounts for each of the Uranium Supply Transaction, the Uranium Agency Transaction and the Uranium Purchase Transaction for each financial year covered by the 2024 Framework Agreement to ensure compliance with their corresponding annual caps. In the event that the accumulated transaction amounts of each of the Continuing Connected Transactions incurred and to be incurred for a financial year is expected to reach the annual caps, the international trading department will follow up forthwith to consider if an amendment to the annual caps is required and to ensure compliance of the relevant requirements under the Listing Rules; and

(e) the independent non-executive Directors and the auditors of the Company will conduct annual review of the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction and confirm whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, in accordance with the 2024 Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such transactions were conducted in accordance with the pricing policies set out in the 2024 Framework Agreement.

V. REASONS FOR AND BENEFITS OF THE 2024 FRAMEWORK AGREEMENT

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

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

The Group believes that the terms of the proposed Uranium Supply Transaction under the 2024 Framework Agreement not only allow the Group to recoup the sales shortfall carried forward from 2023 but also cater to the base scheduled procurement of the CNUC Group in 2024 and 2025. It also provides a measure of predictability and stability amidst the volatile market, better equipping the Group to manage market volatility and price fluctuation risks through tactical purchasing and sales strategies, particularly when planning and conducting the Uranium Supply Transaction.

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

By forming a strategic partnership with the CNUC Group, the Group is well-positioned to reinforce its standing in the nuclear industry, creating a synergistic impact on its international procurement prowess. Given the dominance of a few nuclear power groups in the PRC nuclear power market and the challenging entry barriers into the uranium trading industry, especially for the uranium supply to the PRC nuclear power market, the Group believes that the entering into of the Continuing Connected

Transactions are not only in line with the Group's strategy to solidify its position as the CNUC Group's major platform in overseas uranium products distribution, sourcing and trading, but also enable the Group to capitalise on the growing uranium demand in the PRC, further facilitate the Group's further business expansion in its uranium trading segment, strengthen its international market position and negotiation power, which in turn will consolidate the Group's profitability in the long run.

In light of the above, the Directors (excluding the independent non-executive Directors who shall form their view after receiving the advice from the Independent Financial Adviser) consider that (a) the terms of the 2024 Framework Agreement (including the Proposed Annual Caps) have been negotiated on an arm's length basis between the parties and are fair and reasonable; (b) the transactions contemplated under the 2024 Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (c) the transactions contemplated under the 2024 Framework Agreement are in the interests of the Group and its Shareholders as a whole.

VI. TERMINATION OF THE EXISTING FRAMEWORK AGREEMENT

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

VII. INFORMATION ON CNUC AND THE COMPANY

CNUC is a company established in the PRC with limited liability. As at the Latest Practicable Date, CNUC was indirectly owned by CNNC, which in turn, is directly wholly owned by the SASAC. The CNUC Group is principally engaged in, among other things, uranium resources exploration, development, mining operations and management, and is the supplier of natural uranium products to the downstream nuclear power plants of the CNNC Group.

As at the Latest Practicable Date, the Group was principally engaged in the trading of natural uranium products. It is the strategic positioning of the Group to become the CNUC Group's major platform in overseas uranium resources exploration, development and trading, and would facilitate the Group in further strengthening its uranium trading business and expand its reach into the PRC and worldwide market, which in turn would enhance the Group's profitability in the long run.

VIII. INFORMATION ON UXC AND TRADETECH

The Board considers the price indices as published in the monthly issues of "Ux Weekly" by UxC and "Nuclear Market Review" by TradeTech to be reliable independent price references for international market price of natural uranium products and believes that it is common for natural uranium products purchasers to make reference to price indices published by UxC and TradeTech.

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

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

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

IX. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CNOL was a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNOL is directly wholly owned by CNUC, CNUC is regarded as an associate of CNOL and hence a connected person of the Company. As such, the transactions contemplated under the 2024 Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for each of (i) the Uranium Supply Transaction and the Uranium Agency Transaction (aggregated under Rule 14A.81 of the Listing Rules), and (ii) the Uranium Purchase Transaction are, on an annual basis, over 5%, and the respective highest Proposed Annual Caps exceed HK$10,000,000, the transactions contemplated under the 2024 Framework Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

X. GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the continuing connected transactions contemplated under the 2024 Framework Agreement is required to abstain from voting on the relevant resolution(s) at the EGM. Given CNOL is a wholly-owned subsidiary of CNUC, CNOL is regarded as having material interests in the 2024 Framework Agreement and the transactions contemplated thereunder. Accordingly, CNOL and its associates will be required to abstain from voting on the relevant resolution in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM.

Mr. Wang Cheng, Mr. Zhang Yi, Mr. Sun Ruofan and Mr. Wu Ge, all being Directors, have also held positions in the CNUC Group or its associates and are regarded as having material interests in the 2024 Framework Agreement and the transactions contemplated thereunder. Accordingly, each of them had abstained from voting at the Board meeting on the relevant resolutions. Save for the aforesaid, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares 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. To the best of the Directors' knowledge and information available at the Latest Practical Date, save for CNOL and its associates, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

The Independent Board Committee which comprises Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. The Independent Financial Adviser, Red Sun Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

XI. VOTING BY POLL

Pursuant to the Listing Rules (except for administrative matters) and the articles of association of the Company currently in force, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

XII. CLOSURE OF REGISTER OF MEMBERS AND THE EGM

The register of members of the Company will be closed from Wednesday, 12th June, 2024 to Monday, 17th June, 2024 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appear on the register of members of the Company on Monday, 17th June, 2024 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Computershare Hong

Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on Tuesday, 11th June, 2024.

The notice convening the EGM to be held at Runnovation Shop 4, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong on Monday, 17th June, 2024 at 3: 30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

XIII. RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that (a) the terms of the 2024 Framework Agreement (including the Proposed Annual Caps) have been negotiated on an arm's length basis between the parties and are fair and reasonable; (b) the transactions contemplated under the 2024 Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (c) the transactions contemplated under the 2024 Framework Agreement are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors (other than Mr. Wang Cheng, Mr. Zhang Yi, Mr. Sun Ruofan and Mr. Wu Ge who had abstained from voting at the Board meeting on the relevant resolutions) recommend the Shareholders to vote in favour of the resolution in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM.

XIV. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders and the additional information set out in the appendices to this circular.

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

中核集团
CNNC

CNNC INTERNATIONAL LIMITED
中核國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

21st May, 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of CNNC International Limited dated 21st May, 2024 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you (i) as to whether, in our opinion, the terms of the 2024 Framework Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Details of the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder are set out in the letter from the Board contained in the Circular. Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from Red Sun Capital contained in the Circular.

Having considered the advice of Red Sun Capital, we are of the opinion that (i) the terms of the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; and (ii) the 2024 Framework Agreement (together with the Proposed Annual Caps) 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 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Cui Liguo	**Mr. Zhang Lei**	**Mr. Chan Yee Hoi**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 Framework Agreement and the Proposed Annual Caps, for the purpose of inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

21 May 2024

To: The Independent Board Committee and the Independent Shareholders of CNNC International Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Framework Agreement and the transactions contemplated thereunder (the "**Continuing Connected Transactions**") (including the Proposed Annual Caps for the years ending 31 December 2024 and 2025, details of which are contained in the letter from the Board (the "**Letter from the Board**") as set out in the circular to the Shareholders dated 21 May 2024 (the "**Circular**"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Caps. Unless otherwise defined, capitalised terms defined in the Circular have the same meanings in this letter.

References are made to the announcements dated 23 February 2022 and 26 May 2022 and the circular of the Company dated 31 May 2022, respectively, in relation to the Existing Framework Agreement and the transactions contemplated thereunder. Given that the transaction amounts of the continuing connected transactions under the Existing Framework Agreement for the year ending 31 December 2024 is expected to exceed the Existing Annual Caps, the Company and the CNUC Group proposes to enter into the 2024 Framework Agreement for a term commencing from the Effective Date until 31 December 2025 (both days inclusive) to, among others, increase and specify the Proposed Annual Caps for the two financial years ending 31 December 2025, and update the pricing mechanism and modes of transactions.

As at the Latest Practicable Date, CNOL is a controlling shareholder of the Company holding approximately 66.72% Shares and hence a connected person of the Company. Since CNOL is directly wholly owned by CNUC, CNUC is regarded as an associate of CNOL and hence a connected person of the Company. As such, the transactions contemplated under the 2024 Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for each of (i) the Uranium Supply Transaction and the Uranium Agency Transaction (aggregated under Rule 14A.81 of the Listing Rules); and (ii) the Uranium Purchase Transaction are, on an annual basis, over 5%, and the respective highest Proposed Annual Caps exceed HK$10,000,000, the transactions contemplated under the 2024 Framework Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the continuing connected transactions contemplated under the 2024 Framework Agreement is required to abstain from voting on the relevant resolution(s) at the EGM. Given CNOL is a wholly-owned subsidiary of CNUC, CNOL is regarded as having material interests in the 2024 Framework Agreement and the transactions contemplated thereunder. Accordingly, CNOL and its associates will be required to abstain from voting on the relevant resolutions in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder to be proposed at the EGM. Mr. Wang Cheng, Mr. Zhang Yi, Mr. Sun Ruofan and Mr. Wu Ge, all being Directors, have also held positions in the CNUC Group or its associates and are regarded as having material interests in the 2024 Framework Agreement and the transactions contemplated thereunder. Accordingly, each of them had abstained from voting at the Board meeting on the relevant resolutions. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the 2024 Framework Agreement (together with the Proposed Annual Caps) and the transactions contemplated thereunder.

II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises non-executive Director and chairman, namely, Mr. Wang Cheng, executive Director and chief executive officer, namely, Mr. Zhang Yi, non-executive Directors, namely, Mr. Wu Ge and Mr. Sun Ruofan, and independent non-executive Directors, namely, Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi, as at the Latest Practicable Date.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi has been established to advise the Independent Shareholders in relation to the 2024 Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CNUC and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the 2024 Framework Agreement.

In the previous two years, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant from the Group to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the CNUC Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the "**Management**") and/or the Directors.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely and wholly responsible, were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be so as at the Latest Practicable Date.

We have assumed that all the opinions, beliefs and representations for matters relating to the Group and the CNUC Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. The Company and/or the Management and/or the Directors confirmed that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Group, the CNUC Group and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2024 Framework Agreement and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the trading of natural uranium products and it is the strategic positioning of the Group to become the CNUC Group's major platform in overseas uranium resources exploration, development and trading through leveraging the Group's competitive advantages.

1.2 Overview of the historical financial information of the Group

With a view to provide background information on the historical financial performance of the Group, we set out the following financial information of the Group as extracted and summarised from the Group's published annual report for the year ended 31 December 2023 (the "**2023 Annual Report**").

Summary of the Group's consolidated statement of financial position

	As at 31 December	
	2023	**2022**
	HK\$'000	*HK\$'000*
	(audited)	(audited)
Non-current assets	418,914	438,617
— Interests in associates	412,718	438,257
Current assets	571,948	208,309
— Inventories	291,708	76,233
— Cash and cash equivalents	180,434	130,732
Current liabilities	345,304	73,318
— Trade and other payables and accruals	332,829	27,765
Non-current liabilities	185,271	182,000
— Loan from immediate holding company	182,000	182,000
Total equity attributable to owners of the Company	460,287	391,608

Note: for the avoidance of doubt, only selected major asset and liability balances are disclosed in the table above

Financial position as at 31 December 2023 compared to 31 December 2022

We noted from the 2023 Annual Report that as at 31 December 2023, the Group's total assets amounted to approximately HK$990.9 million, representing an increase of approximately HK$344.0 million as compared to approximately HK$646.9 million as at 31 December 2022, which mainly comprised (i) interests in associates of approximately HK$412.7 million; (ii) inventories of approximately HK$291.7 million; and (iii) cash and cash equivalents of approximately HK$180.4 million.

The Group's total liabilities amounted to approximately HK$530.6 million as at 31 December 2023, representing an increase of approximately HK$275.3 million as compared to approximately HK$255.3 million as at 31 December 2022, which mainly comprised (i) trade and other payables and accruals of approximately HK$332.8 million; and (ii) loan from immediate holding company of approximately HK$182.0 million.

As at 31 December 2023, the total equity attributable to owners of the Company amounted to approximately HK$460.3 million, as compared to approximately HK$391.6 million as at 31 December 2022.

Summary of the Group's consolidated statement of profit or loss

	Year ended 31 December	
	2023	**2022**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	580,958	905,730
Trading of mineral properties		
— Trading of uranium	567,900	891,506
— Commission income from uranium purchase transaction	13,058	14,224
Cost of sales	(453,905)	(802,938)
Gross profit	127,053	102,792
Profit for the year	106,315	80,843

*Financial performance for the years ended 31 December 2023 ("**FY2023**") and 31 December 2022 ("**FY2022**")*

As set out in the 2023 Annual Report, the Group recorded revenue of approximately HK$581.0 million for FY2023, representing a decrease of approximately HK$324.7 million or approximately 35.9% compared to approximately HK$905.7 million for FY2022. The decrease in revenue was primarily attributable to (i) the decrease in the sales of uranium products through trades to and from independent third parties that has been reduced attributable to the level of activities at the material time; and (ii) the logistics problem that certain originally scheduled sales to the CNNC Group under physical delivery were impacted and postponed.

The gross profit of the Group increased from approximately HK$102.8 million for FY2022 to approximately HK$127.1 million, representing an increase of approximately HK$24.3 million or 23.6% with an increase in gross profit margin of approximately 10.5% from approximately 11.4% for FY2022 to approximately 21.9% for FY2023.

The Group recorded profit for the year of approximately HK$106.3 million for FY2023, representing an increase of approximately HK$25.5 million or 31.6% as compared to approximately HK$80.8 million for FY2022.

2. Information on the counter parties to the 2024 Framework Agreement

2.1 CNUC

As set out in the Letter from the Board, CNOL, a wholly owned subsidiary of CNUC, is the controlling Shareholder interested in approximately 66.72% of the issued Shares as at the Latest Practicable Date. CNUC Group is principally engaged in, among others, uranium resources exploration, development, mining operations and management, and is the supplier of natural uranium products to the downstream nuclear power plants of CNNC Group.

CNNC, the majority shareholder of CNUC, is directly wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (i.e. SASAC).

2.2 Rössing Uranium Mine

Rössing Uranium Mine is a uranium mine in Namibia, which is operated by Rössing Uranium Limited and is indirectly owned by CNUC as to approximately 68.62% as at the Latest Practicable Date. As set out in its website[1], Rössing Uranium Mine produced over 2,600 tons of uranium oxide in 2022 and employed in the region of 900 people in 2022.

3. Overview of the PRC industry landscape

We understand from UxC, being one of the nuclear industry's leading market research and analysis companies, that the nuclear fuel international market has experienced an increase in uranium market participants located outside North America, particularly in Europe and in Asia, over the past several years. This is partly attributable to the objectives set by different governments to reduce its national carbon emission over time.

According to a publication by the National Nuclear Safety Administration of the PRC (國家核安全局)[2], electricity consumption in the PRC has continued to increase over the years. In the past, the PRC has relied heavily on thermal power generation to satisfy its domestic demand for electricity. However, the PRC government has set targets to achieve carbon peaking (碳達峰) and carbon neutral (碳中和) by no later than 2030 and 2050, respectively.

[1] Website of Rössing Uranium Mine (source: www.rossing.com)

[2] Publication titled "中國核電成為世界核電發展的生力軍" (source: nnsa.mee.gov.cn/ywdt/hyzx/202312/t20231205_1058154.html)

With a view to meet these long-term goals for reduction in carbon emission and having to cater for the increasing demand in electricity, the PRC has continued to increase its electricity generation capacities from its renewable energy sources, including nuclear power. The advancement in the relevant technologies and capabilities had led to significant development in the nuclear power industry in recent years. The PRC has become the second largest country in terms of electricity produced by nuclear power, which amounted close to 400 Terawatt-hour in total in 2022[3].

According to information published by China Nuclear Energy Association[4], the PRC had 55 nuclear power unit[5] in operations as of 30 June 2023. Nuclear power contributed around 5% of the total electricity generated in the PRC during the first six months of 2023, representing an increase of approximately 7.0% over the corresponding period in 2022.

With the prevailing supportive PRC government policies towards clean energy such as nuclear power, PRC's carbon peaking and carbon neutral targets, the long-term growth potentials of electricity generation by nuclear power in the PRC are notable given its relatively small scale compared to other existing electricity generation methods.

4. Reasons for and benefits of the 2024 Framework Agreement

We have summarised the following reasons for the benefits of the 2024 Framework Agreement from the Letter from the Board.

Nuclear power is expected to have the greatest presence in Asia, with the PRC being the largest growth market. The Group has tapped into the uranium supply market in the PRC by serving as the procurement arm of the CNUC Group in the international uranium trading market by leveraging on the Existing Framework Agreement. Meanwhile, the Group has continued its uranium products trading business to and from Independent Third Parties in its normal and usual course of business.

The global natural uranium market in 2023 had been impacted by multiple geopolitical events, including the continuous Russian-Ukraine conflict, worldwide inflation and recessionary concerns, along with a rising interest from financial investors in natural uranium, and rising interest rates in the financial market. These external factors have contributed and leading up to the significant volatility in uranium spot prices since the second half of 2023, which in turn, has affected the market behaviour.

3 Article titled "Nuclear Power in the World Today" published by the World Nuclear Association (source: world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx)

4 Article titled "全國核電運行情況(2023年1–6月)" published by the China Nuclear Energy Association (source: wap.china-nea.cn/site/content/43657.html)

5 Not including Taiwan as per the published data source

Since early 2021, there was a substantial surge in financial interest in the physical uranium market. The influx of financial players into the market with their financial-related buying significantly increased demand for uranium in the spot market, leading to a notable increase in spot prices (which surpassed long-term prices since June 2023, a phenomenon not seen since 2007/2008). Additionally, the transit transportation route for uranium through Kazakhstan from Uzbekistan was interrupted since around April 2023, causing disruptions and delays to certain of the Group's sales of uranium to the CNUC Group as originally planned for 2023, which resulted in the overall lower sales volume of natural uranium products to the CNUC Group in 2023.

As it is the intention of both the CNUC Group and the Group to replenish such shortfall on top of the base procurement schedule of the CNUC Group for 2024 and 2025, the Group estimated that the Existing Annual Caps for the transactions contemplated under the Existing Framework Agreement would no longer be sufficient to cover the targeted sales amount for 2024. Coupled with the recent volatility in the uranium market and having considered the potential additional business opportunities that may arise from the sporadic uranium procurement demands from the CNUC Group, the Group proposed to enter into the 2024 Framework Agreement that encompasses the Proposed Annual Caps, updated pricing term, and an added transaction mode (i.e. the Uranium Agency Transaction) covering a period up to 31 December 2025.

The Group believes that the terms of the proposed Uranium Supply Transactions under the 2024 Framework Agreement not only allow the Group to recoup the sales shortfall carried forward from 2023 but also cater to the base scheduled procurement of the CNUC Group in 2024 and 2025. It also provides a measure of predictability and stability amidst the volatile market, better equipping the Group to manage market volatility and price fluctuation risks through tactical purchasing and sales strategies, particularly when planning and conducting the Uranium Supply Transaction.

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

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

Having considered the Company's reasons for and benefits of the 2024 Framework Agreements above together with factors, including, among others,

(i) the principal business activities of the Group, namely, the trading of natural uranium products;

(ii) the Group commenced its uranium trading business back in 2012 and that the Group had been supplying and purchasing natural uranium products from/to independent third parties and connected parties from time to time;

(iii) it is the strategic positioning of the Group to become CNUC Group's major platform in overseas uranium resources exploration, development and trading, and such would facilitate the Group in further strengthening its uranium trading business in the PRC market as well as expand its reach into the global market;

(iv) CNNC is one of the market leaders in the PRC's nuclear power generation, while CNUC is exclusive uranium supplier to CNNC, the Group ongoing business relationship with the CNUC Group will enhance the Group's reputation and credentials both domestically and internationally;

(v) the 2024 Framework Agreement, if approved, will facilitate the Continuing Connected Transactions to be carried out in an efficient and effective manner without the need for the Company to seek independent Shareholders' approval on a transaction-by-transaction basis;

(vi) the transactions to be conducted under the 2024 Framework Agreement will broaden the income base of the Group; and

(vii) the Group estimated that the Existing Annual Caps under the Existing Framework Agreement would no longer be sufficient to cover the required quantity of uranium of CNUC Group and the corresponding transaction amount for the year ending 31 December 2024, thus the revision of the annual caps under the 2024 Framework Agreement, we concur with the Directors' view that the 2024 Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are in the interests of the Company and the Shareholders as a whole.

5. Principle terms of the 2024 Framework Agreement

Parties

(a) The Company (for itself and on behalf of each of its subsidiaries); and

(b) CNUC (for itself and on behalf of each of its subsidiaries (other than the Group)).

Term

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

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

Transactions

The 2024 Framework Agreement contemplates the Uranium Supply Transaction, Uranium Agency Transaction and the Uranium Purchase Transaction, details of which are set out below:

(a) The Uranium Supply Transaction

(i) Subject matter

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

The 2024 Framework Agreement stipulates that other than (a) the CNUC Group's own natural uranium mined from its own mines; and (b) the CNUC Group's purchases of natural uranium products conducted in accordance with such procurement agreements which are still effective as at the date of the 2024 Framework Agreement, the Group shall act as the CNUC Group's exclusive supplier of natural uranium products purchased from sellers other than those based in Asia and Africa.

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

(ii) Selling price of the natural uranium products

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

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

where,

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

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

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

Note:

According to the website of UxC (www.uxc.com), UxC's month-end spot price indicators and month-end long-term price indicators reflect the most competitive offers available for uranium U_3O_8, taking into account bids and transaction prices and factored in conditions for delivery timeframe, quantity, and origin considerations. These price indicators are based on market information collected by UxC from various sources including producers, utilities, intermediaries, and brokers. UxC's month-end spot price indicators and month-end long-term price indicators are published on the last Monday of each month through the subscribed newsletter publication "Ux Weekly" and also made available on UxC's website (www.uxc.com) with a subscription which is open to the public.

According to the website of TradeTech (www.uranium.info), TradeTech's month-end spot price indicators and month-end long-term price indicators are determined based on a judgment-based approach that incorporates a variety of market data and dynamics. For spot price indicators, TradeTech analyses transactions, offers, and other market data, focusing on significant uranium quantities to ensure the data accurately reflects market activity. For long-term price indicators, they are based on TradeTech's judgment of the base price at which transactions for long-term delivery of that product or service could be concluded, for transactions in which the price at the time of delivery would be an escalation of the base price from a previous point in time. TradeTech's month-end spot price indicators and month-end long-term price indicators are published on the last day of each month through the subscribed newsletter publication "Nuclear Market Review" and also made available on TradeTech's website (www.uranium.info/nuclear_market_review.php) with a subscription which is open to the public.

For further information on UxC and TradeTech, please refer to the section headed "Information on UxC and TradeTech" in the Letter from the Board of the Circular.

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

(iii) Price adjustment mechanism

(1) Quantity discount

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

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

(2) Price Floor

The parties, after arm's length negotiation, have agreed that the selling price of the natural uranium products charged by the Group shall, in any event, not be lower than the procurement cost plus a mark-up of 4% (the "**Price Floor**"). The mark-up of 4% was determined based on arm's length negotiations, having made reference to the prevailing deposit interest rates of United States dollar (being the main currency used by the Group in its trading of natural uranium products business) ranging from approximately 3% to 5% for time deposits for three months, six months and 12 months offered by major licensed banks in Hong Kong, and having taken into account the risks to be borne by the Group, such as inventory risks, credit risks and pricing risks.

(iv) Payment and other terms

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

(b) The Uranium Agency Transaction

(i) Subject matter

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

(ii) Resale price of the natural uranium products

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

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

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

(iii) Payment and other terms

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

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

(c) The Uranium Purchase Transaction

(i) Subject matter

As at the Latest Practicable Date, Rössing Uranium Mine is a uranium mine in Namibia which is indirectly owned by CNUC as to 68.62%.

Pursuant to the 2024 Framework Agreement, the CNUC Group shall procure Rössing Uranium Limited (the operator of Rössing Uranium Mine) to appoint the Group as its exclusive authorised distributor for the sale and distribution of uranium products mined at Rössing Uranium Mine in all countries and regions around the world except the PRC. Under the arrangement, the Group shall purchase Rössing Uranium Products from Rössing Uranium Mine for on-sale to its third party customers which are based outside the PRC and identified by the Group.

(ii) Purchase price of Rössing Uranium Products

The purchase price of Rössing Uranium Products payable by the Group to Rössing Uranium Limited (the operator of Rössing Uranium Mine) shall be at a discount of 2% of the resale price of such Rössing Uranium Products charged by the Group to third party on-sale customers. The aforementioned pricing arrangement was arrived at between the parties after arm's length discussions and taking into consideration (a) the value-adding services provided by and the risks to be borne by the Group; and (b) the historical gross profit margin for the Group's similar natural uranium trading business with Independent Third Parties (which ranged between 1.13% and 3.39% for trades conducted during the year ended 31 December, 2023).

(iii) Payment and other terms

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

There is no minimum commitment on the Rössing Uranium Products to be purchased and resold by the Group under the Uranium Purchase Transaction. The CNUC Group shall procure Rössing Uranium Limited to enter into separate implementation contract(s) with the Group in respect of each purchase transaction which will set out the specific terms for the relevant purchase transaction.

6. Our analysis on the principal terms of the 2024 Framework Agreement and work performed on the internal control procedures

With a view to assess the fairness and reasonableness of the principal terms of the 2024 Framework Agreement, we have carried out the following work and analysis.

6.1 Our analysis on the pricing policy for the Uranium Supply Transaction

We noted from the pricing policy under the 2024 Framework Agreement that the selling price of the Uranium Supply Transaction shall be the sum of (i) 40% of the average month-end spot price indicators of the remaining 12 months (after excluding the month-end spot price indicators of the highest three and lowest three months within the past 18 months before the month of delivery); and (ii) 60% of the average month-end long-term price indicators of the remaining 12 months (after excluding the month-end long-term price indicators of the highest three and lowest three months within the past 18 months before the month of delivery), less a discount of up to 5% (the "**Physical Delivery Discount**") attributable to physical delivery (together the "**Pricing Formula**").

In the event that the quantity of natural uranium products to be delivered in a single Uranium Supply Transaction is being 250 tons U or more, a discount rate shall be applied. The discount rate for the aforesaid quantity in a single Uranium Supply Transaction for (i) 250 tons U or more, but less than 500 tons U is up to 2%; (ii) 500 tons U or more, but less than 1,000 tons U is up to 3%; and (iii) 1,000 tons or more is up to 5% (the "**Quantity Discount**"), pursuant to the sliding scale as set out in the 2024 Framework Agreement. In any event, we noted that the parties, after arm's length negotiation, have agreed that the selling price of the natural uranium products charged by the Group shall, in any event, not be lower than the procurement cost plus a mark-up of 4.0% (i.e. the Price Floor).

With a view to assess the reasonableness of the pricing policy, we have performed the following work and analysis:

(i) we have reviewed the industry report by UxC, being one of the nuclear industry's leading market research and analysis companies, and we noted from the aforesaid industry report that (a) when pricing a contract for a sale and purchase of natural uranium products, it is common for the relevant parties to reference to both the spot price indicators and the long-term price indicators, with a benchmarking period for determining the price to extend up to 18 months using an average of both spot price indicators and long-term price indicators; and (b) discounts to market price can typically fall in the range of 1% to 15%, including (aa) discounts based on physical delivery ranging from 1% to 5%, of which the Physical Delivery Discount of not more than 5% in connection with the Uranium Supply Transaction are within such range; and (bb) quantity-related discounts ranging from 1% to 8%, of which the Quantity Discount of not more than 5% in connection with the Uranium Supply Transaction are within such range. In this connection, we concur with the Directors that the pricing policy for the Uranium Supply Transaction is reasonable;

(ii) we have conducted an interview with the representatives of UxC on among others, their background and expertise as well as the basis of their industry report as part of our work performed and UxC confirmed our observations as set out under (i) above; and

(iii) we have considered that out of the three major nuclear market participants in the PRC (i.e. China National Nuclear Corporation, China General Nuclear Power Corporation and State Power Investment Corporation Limited, all of which are owned and/or under the supervision of SASAC), two of which have listed subsidiaries on the Stock Exchange that principally engages in the supply and/or trading of uranium, namely the Company and CGN Mining Company Limited ("**CGN**") (stock code: 1164). In this connection, we have reviewed the published transaction circular of the Company dated 31 May 2022 and the published transaction circulars of CGN dated 9 December 2016, 9 September 2019 and 19 August 2022 respectively, for, among other, uranium supply transactions (the "**Market Transactions**"), and noted that the supply price for the reviewed Market Transactions were determined based on pricing formula in various forms. Nonetheless, these pricing formulae all comprised references to the spot price and long-term price of uranium. Thus, the use of a pricing formula with reference to spot price and long-term price of uranium to determine the transaction price are in line with the Market Transactions.

On this basis, we are of the view that the pricing policy for the Uranium Supply Transaction under the 2024 Framework Agreement is reasonable.

6.2 Our analysis on the credit terms for the Uranium Supply Transaction

For our assessment on the reasonableness of the credit terms, we have obtained a list of the Uranium Supply Transaction entered into during the years ended/ending 31 December 2022, 2023 and 2024 (up to the Latest Practicable Date) (the "**Review Period**"). We have selected and reviewed the records of all of the Uranium Supply Transaction transacted during the Review Period (the "**Sampled Uranium Supply Transaction(s)**"), under the Existing Framework Agreement.

In this connection, we noted that the credit terms offered by the Group to the connected persons was in two instalments, (i) the first instalment covered 95% of the transaction amount was payable with reference to the date of delivery; and (ii) the second instalment, being the remaining transaction amount, which was payable within 20 days after the date of the final invoice to be issued after the completion of the delivery of the subject Uranium Product. In this regard, we have also reviewed the 2023 Annual Report and noted that the Group's normal credit term was 5 to 30 days after invoice date. Based on the above, we are of the view that the payment terms of the Sampled Uranium Supply Transactions are reasonable.

6.3 Our work performed on the Sampled Uranium Supply Transactions and internal control procedures

Pursuant to the Existing Framework Agreement, for the Uranium Supply Transaction, the selling price of the natural uranium products charged by the Group shall be determined on normal commercial terms and with reference to international price indicators published by UxC and TradeTech from time to time. In particular, subject to the price floor and the price ceiling, the selling price shall be calculated based on a formula taking into account both the long-term price indicators and the spot price indicators published monthly by UxC and TradeTech at month ends pursuant to the Existing Framework Agreement and as specified in the continuing connected transactions circular of the Company dated 31 May 2022.

In this connection, we have reviewed the Sampled Uranium Supply Transactions. For each sampled transaction, we have obtained and reviewed (i) the supply contract entered into with a member of the CNUC Group; (ii) the calculation for the price of the subject Uranium Product based on the pricing formula as set out in the Existing Framework Agreement; and (iii) the contract and/or invoice issued to the subject connected person for the supply of the Uranium Products which sets out, including, among other information, the transaction amount, the weight and method of sales, and the corresponding Uranium trading contract internal approval document of the Company (鈾貿易合同審核單).

Based on information obtained under (i), (ii) and (iii) above, together with our work performed thereof, including reperformed the calculation for the price based on the relevant data and checked the calculated price against the actual price used in the Sampled Uranium Supply Transactions, we are of the view that the Sampled Uranium Supply Transactions complied with the stated pricing policies for the Uranium Supply Transaction under the Existing Framework Agreement.

6.4 Our analysis on the pricing policy for the Uranium Agency Transaction and the credit terms

Pursuant to the 2024 Framework Agreement, in connection with the Uranium Agency Transaction, the selling price to be charged by the Group shall be at a premium of 2% over the purchase price charged to the Group by the relevant third party suppliers. The Management confirmed that the Group had not provided any similar agent/procurement services to independent third party in recent years. In assessing the reasonable of 2% margin to be generated from the Uranium Agency Transaction, we have, among others,

(i) reviewed the Letter from the Board and noted that the historical gross profit margin for the Group's natural uranium trading business with Independent Third Parties ranged from approximately 1.13% to 3.39%, of which the 2% margin from the Uranium Agency Transaction falls within the aforesaid range.

In this connection, we have obtained the historical gross profit margin calculations from the Company, reviewed the relevant figures thereto and reperformed the calculations;

(ii) considered that the Company is of the view that there is minimal risk to the Uranium Agency Transaction as such type of transactions may be concluded by direct contracting between the CNUC Group and the source of supply identified by the Group, or through a back-to-back purchase-and-sale arrangement. Hence there is no inventory-related risks or price-related exposure to the Group as an agency transaction would only be executed after the terms of the purchaser and the supplier have both been agreed with the Company;

(iii) noted that pursuant to the 2024 Framework Agreement, the payment terms offered by the CNUC Group to the Group shall be no less favourable to the Group than those offered by the relevant supplier(s) to the Group of the particular transaction, thus under normal circumstances, the Group shall receive the payment from the CNUC Group prior to making the corresponding payment to the subject supplier and therefore bears no credit risk under such arrangement. The Management considered the credit history of the CNUC Group, as exclusive uranium supplier to CNNC Group, being one of the largest nuclear power facilities operators in the PRC, with a state-owned background and had not defaulted in any payment to the Group in the past five years, to be good; and

(iv) the Uranium Agency Transaction being an additional service offering to the CNUC Group, shall further broaden the revenue base of the Group with limited transaction risk exposure as analysed above and corresponding agency services.

On this basis, we considered the pricing policy and the credit terms of the Uranium Agency Transaction to be fair and reasonable.

6.5 Our work performed on the pricing policies and payment terms for the Uranium Purchase Transaction

The Group is the exclusive authorised distributor for the sale and distribution of uranium products mined at Rössing Uranium Mine (the "**Rössing Uranium Products**") in all countries and regions around the world except the PRC. Under such arrangement, the Group shall utilise market intelligence and sales and marketing resources to identify high-demand regions and potential downstream customers to align with the production of the Rössing Uranium Mine. Leveraging the Group's expertise in international uranium trade, strategic negotiations based on strong relationships with downstream customers will aim to optimise selling prices, enhancing the revenue for Rössing Uranium Limited. The purchase price of Rössing Uranium Products payable by the Group to Rössing Uranium Limited (the operator of Rössing Uranium Mine) shall be at a discount of 2% of the resale price of such Rössing Uranium Products charged by the Group to third party on-sale customers.

In this connection, we have obtained a list of continuing connected transactions of the Uranium Purchase Transactions during the Review Period (i.e. the years ended/ending 31 December 2022, 2023 and 2024 (up to the Latest Practicable Date)), with a particular focus on transaction with relatively large transaction amount, selected on a random basis. We have selected and reviewed more than ten Uranium Purchase Transaction samples (the "**Sampled Uranium Purchase Transaction(s)**"). For each sampled transaction, we have obtained and reviewed (i) the subject Uranium sale and purchase confirmation between Rössing Uranium Limited and the Company, which sets out among others, the transaction date, unit price and weight, as well as the corresponding Uranium trading contract internal approval document of the Company (鈾貿易合同審核單); and (ii) the contract and/or invoice issued to the subject independent third party purchaser setting out the description of the Rössing Uranium Products, including, among others, the transaction amount, the weight and method of sales, and the corresponding Uranium trading contract internal approval document of the Company (鈾貿易合同審核單). Based on information obtained under (i) and (ii) and our work performed thereof, we are of the view that the Sampled Uranium Purchase Transactions complied with the pricing policies for the Uranium Purchase Transaction under the Existing Framework Agreement, and therefore are fair and reasonable.

Based on work performed in relation to Uranium Purchase Transactions, we noted that the credit terms offered by Rössing Uranium Limited to the Group ranged from 20 days to 25 days, which is within range of with the credit terms offered by the Group to independent third party purchasers for the Uranium Purchase Transactions, which ranged from 5 days to 30 days. The Management also advised that the payment terms offered by Rössing Uranium Limited to the Group shall be no less favourable than those offered by the Group to its on-sale customers, thus under normal circumstances, the Group shall receive the payment from its customers prior to corresponding payment to Rössing Uranium Limited. On this basis, we are of the view that the payment terms of the Uranium Purchase Transactions are reasonable.

6.6 Our work performed on the internal control procedures

We noted that the Group has adopted the following internal control measures to ensure that the terms of the continuing connected transactions under the 2024 Framework Agreement are fair and reasonable:

(i) each of the transaction under the Existing Framework Agreement shall be initiated by the uranium trading department (貿易部), reviewed and approved by finance department (財務部), legal department (人事法務部), the company secretary (董事會秘書), the vice general manager and the Director in charge of the trading department of the Group (together, the "**Reviewers**");

(ii) prior to entering into any transaction under the 2024 Framework Agreement, the designated staff of the trading department shall check and the Reviewers shall review the unit price is determined strictly under the Existing Framework Agreement; and

(iii) the Company engaged the independent auditors to review the transactions under the Existing Framework Agreement whether or not in compliance with the annual reporting and review requirements under the Listing Rules.

In this connection, we have obtained and reviewed more than ten historical continuing connected transactions under the Existing Framework Agreement, selected on a random basis, and noted that the above sampled transactions all complied with the relevant stated internal control procedures at the material time.

6.7 Our findings

Having considered the work performed by us as set out above, in particular, (i) our work performed on the principal terms of the 2024 Framework Agreement, including our analysis on the pricing policies and internal control procedures in connection with the Continuing Connected Transactions; (ii) the transactions contemplated under the 2024 Framework Agreement are a furtherance of the Group's principal businesses and that the Group would broaden its revenue base; and (iii) CNUC is indirectly wholly-owned by CNNC, being a stated-owned enterprise, which is one of three sizeable permitted nuclear power developers and operators, being CNNC, China General Nuclear Power Group and State Power Investment Corporation, that should benefit from the continuous development of the PRC nuclear power generation sector, we considered that the terms of the 2024 Framework Agreement, which are subject to internal control procedures, to be fair and reasonable and in the interests of the Shareholders as a whole.

7. Basis and rationale for determining the Proposed Annual Caps

As set out in the Letter from the Board, in determining the Proposed Annual Caps of the transactions under the 2024 Framework Agreement for the two financial years ending 31 December 2025, the Board has taken into account the following factors:

(i) In respect of the Uranium Supply Transaction, by applying the UxC U_3O_8 uranium spot and long-term price indicators at the month-end of March 2024 to the proposed pricing mechanism and incorporating an upward adjustment of 5% to arrive at a reference price (the "**Referenced Uranium Price Indicators**", which rounded to about US$85 per pound U_3O_8 and represented almost a twofold rise from the price levels recorded in the first quarter of 2022), and multiplied by the projected cap sales volume of uranium products to the CNUC Group for the two financial years ending 31 December 2025, where

  (a) the projected cap sales volume of uranium products for the financial year ending 31 December 2024 is arrived at after taking into account (A) the indicative purchase volume for the financial year ending 31 December 2024 as provided by the CNUC Group together with the supply shortfall carried over from the year ended 31 December 2023 (in aggregate of about 1,250 tons U, or approximately 3.3 million pounds U_3O_8); and (B) a slight buffer to cater for price and demand fluctuations (of about 50 tons U, or approximately 130,000 pounds U_3O_8); and

(b) the projected cap sales volume of uranium products for the financial year ending 31 December 2025 is arrived at after taking into account the indicative base procurement schedule for the financial year ending 31 December 2025 as provided by the CNUC Group (of about 1,000 tons U, or approximately 2.6 million pounds U_3O_8), together with an added buffer to accommodate for price and demand fluctuations as well as potential carryovers into 2025 in case of any delay in deliveries scheduled for 2024 due to unforeseen circumstances.

(ii) In respect of the Uranium Agency Transaction, by applying the proposed commission rate of 2% to the product of (a) the Referenced Uranium Price Indicators; and (b) the preliminary estimates of the potential volume of uranium products that may be procured per the CNUC Group's sporadic demand under the agency arrangement (which amounted to around half of the estimated cap volume of uranium products under the Uranium Supply Transaction for each of the respective financial years).

(iii) In respect of the Uranium Purchase Transaction, by applying the proposed commission rate of 2% to the product of (a) the Referenced Uranium Price Indicators; and (b) the preliminary estimates of amount of Rössing Uranium Products to be purchased by the Group during the term of the 2024 Framework Agreement (after taking into account the estimated annual production volume and prior contractual commitments of the Rössing Uranium Mine in each of the respective financial years).

7.1 Our analysis on the Proposed Annual Caps for the Uranium Supply Transaction and the Uranium Agency Transaction

The Proposed Annual Caps for the Uranium Supply Transaction and the Uranium Agency Transaction contemplated under the 2024 Framework Agreement for the two financial years ending 31 December 2024 and 2025 are set out as follows:

Transaction	**Proposed Annual Caps for the year ending 31 December**	
	2024	**2025**
	HK$'000	*HK$'000*
Uranium Supply Transaction	2,250,000 (the "**2024 Supply Annual Cap**")	2,600,000 (the "**2025 Supply Annual Cap**")
Uranium Agency Transaction	23,000 (the "**2024 Agent Annual Cap**")	26,000 (the "**2025 Agent Annual Cap**")

Based on the information as set out in the Letter from the Board, (i) the annual cap in relation to the Uranium Supply Transaction under the Existing Framework Agreement for the year ended 31 December 2022 and 2023 was HK$1,000 million and HK$1,300 million, respectively; and (ii) the historical Uranium Supply Transactions amounted to approximately HK$205.8 million and HK$368.7 million for the year ended 31 December 2022 and 2023, respectively. On this basis, the utilisation rate of the annual cap for the year ended 31 December 2022 and 2023 was approximately 20.6% and 28.4%, respectively.

We noted from the Management that the relatively low utilisation rate of for the year ended 31 December 2023 was mainly attributable to the transit transportation route for uranium through Kazakhstan from Uzbekistan was interrupted since around June of 2023, causing disruptions and delays to certain of the Group's sales of uranium to the CNUC Group as originally planned for 2023 (the "**Unexpected Disruptions and Delays**"), which resulted in the overall lower sales volume of natural uranium products to the CNUC Group in 2023. In this connection, the Management advised that not less than 500 tons U in the form of Uranium Products which was originally scheduled to be delivered during 2023 is tentatively being scheduled to be delivered during or after 2024 instead. As advised by the Management, it is noted that the interruption of transit transportation route for uranium through Kazakhstan from Uzbekistan (the "**Interruption of Transit**") might not be resolved prior to 31 December 2024. In order to manage the impact from such Interruption of Transit, the Group has identified uranium products from alternative sources and for the Uranium Products which have been secured by the Group, such is due for delivery to the CNUC Group in the second half of 2024.

Our analysis on the 2024 Supply Annual Cap and the 2024 Agent Annual Cap

With a view to assess the reasonable of the 2024 Supply Annual Cap of HK$2,250 million, we have (i) obtained indicative procurement quantity of Uranium Products for the year ending 31 December 2024 provided by the Management as advised by CNUC, which sets out that approximately 1,300 ton U of the Uranium Products is estimated to be supplied through the sale and purchase model, and that the remaining Uranium Products, the demand of which is expected to be more ad hoc in nature, will be supplied in the form of Uranium Agency Transaction; (ii) reviewed the price of Uranium Products adopted by the Management for the Uranium Supply Transaction calculated with reference to the formula pursuant to the 2024 Framework Agreement. In this connection, we have reviewed the inputs used by the Management in calculating the price of Uranium Products for the stated pricing formula and we are of the view that the basis of the inputs applied by the Management, which is with reference to the historical published data in the monthly issues of "Ux Weekly" by UxC and "Nuclear Market Review" by TradeTech to be reasonable; and (iii) noted that the 2024 Agent Annual Cap of HK$23 million, which is a new service offering for the supply of Uranium to the CNUC Group when ad hoc demand arises. We have reviewed the basis of the 2024 Agent Annual Cap, which is estimated based on 2%

of the expected transaction amount of the relevant agency transactions, the price applied is consistent with the price applied under (ii) above and the quantity is less than the estimated quantity under the 2024 Supply Annual Cap given the purpose of this annual cap is to cater for ad hoc demand from CNUC Group.

In this connection, we have assessed the reasonableness of the combined quantity of the Uranium Products under the 2024 Supply Annual Cap and 2024 Agent Annual Cap by conducting research into the total estimated demand of the PRC in Uranium. According to the published information of the World Nuclear Association[6], the Uranium required for the nuclear electricity generation of the PRC for 2024 is estimated to be approximately 13,000 tons U. Furthermore, we also noted from a publication[7] by the State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) in August 2023 that the electricity generated by nuclear power plants of CNNC contributed to approximately 44% of the total electricity generated by nuclear power plants in the PRC.

Based on the above information, for illustration purposes only, the estimated annual demand of CNNC would be approximately 5,700 tons U in 2024 (the "**Estimated CNNC 2024 Uranium Product Demand**"). Given the estimated combined quantity of Uranium Products under the 2024 Supply Annual Cap and 2024 Agent Annual Cap is notably lower than 5,700 tons U calculated above, and the fact that the Group is a major supplier of CNUC, and CNUC is the supplier of natural uranium products to the downstream nuclear power plants of the CNNC Group but CNUC may also source its Uranium Products from other suppliers. Furthermore, it is the intention of both the CNUC Group and the Group to replenish such shortfall on top of the base procurement schedule of the CNUC Group for 2024 and 2025, the basis of the 2024 Supply Annual Cap and 2024 Agent Annual Cap are considered to be fair and reasonable.

In relation to the assumptions adopted in determining the 2024 Supply Annual Cap, we discussed with the Management and performed the following work analysis, including, among others; (i) reviewed and reperformed the price calculation pursuant to the 2024 Framework Agreement and noted that based on the uranium spot and long-term price indicators at the month-end of March 2024 and an upward adjustment of 5% to arrive at a reference price, the calculated price would be approximately USD85 per pound of Uranium Products, which formed the basis of the 2024 Supply Annual Cap; (ii) reviewed the projected base procurement schedule (including the supply shortfall carried over from the year ended 31 December 2023) as advised by the CNUC Group with an estimated quantity of approximately 1,250 ton U for the year ending 31 December 2024 and a buffer of approximately 50 tons U to cater for the potential fluctuation in the

[6] Information published by World Nuclear Association (source: world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-and-uranium-requireme.aspx)

[7] Information published by State-owned Assets Supervision and Administration Commission the State Council (source: www.sasac.gov.cn/n2588025/n2588124/c28732494/content.html)

price and demand of Uranium Products; and (iii) based on information as analysed by us under (ii), the estimated total demand of the Uranium Products to be satisfied by the Group under the 2024 Supply Annual Cap is approximately 1,300 ton U, such is notably lower than the Estimated CNNC 2024 Uranium Product Demand of 5,700 ton U calculated with reference to data published by the World Nuclear Association and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, further details of which are set out in the preceding paragraphs in this letter above. Having considered the above, the Directors considered and we concurred that the basis and assumptions adopted in determining 2024 Supply Annual Cap are reasonable, and the 2024 Supply Annual Cap is fair and reasonable.

Our analysis on the 2025 Supply Annual Cap and 2025 Agent Annual Cap

The 2025 Supply Annual Cap of HK$2,600 million represents a year-on-year increase of approximately 15.6% from the 2024 Supply Annual Cap of HK$2,250 million. The 2025 Agent Annual Cap of HK$26 million represents an year-on-year increase of approximately 13.0% from the 2024 Agent Annual Cap of HK$23 million.

With a view to assess the reasonableness of the 2025 Supply Annual Cap and 2025 Agent Annual Cap, we have considered, among others, (i) based on published information by the World Nuclear Association[8] in 2023 and 2024 setting out, among others, the world nuclear power reactors and uranium requirements in 2023 and 2024, respectively, we noted that the year-on-year uranium required by the PRC is expected to increase from approximately 11,303 tons U in 2023 to approximately 13,132 tons U in 2024, representing a year-on-year increase of approximately 16.2%; (ii) the historical compound annual growth rate (the "**CAGR**") of the Group's revenue from its continuing operations between the year ended 31 December 2021, 2022 and 2023 was approximately 43.9%. Furthermore, the Management advised that the year-on-year decline in the Group's revenue for the year ended 31 December 2023 was mainly attributable to the Unexpected Disruptions and Delays, thus in the absence of the aforementioned event, the CAGR calculated above would have been even higher; and (iii) the scope of the Continuing Connected Transactions has expanded to cover the Uranium Supply Transaction and the Uranium Agency Transaction.

[8] Information published by World Nuclear Association in 2023 and 2024 on the world nuclear power reactors and uranium requirements in 2023 and 2024 (source: (i) world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-and-uranium-requireme.aspx; and (ii) world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-archive/world-nuclear-power-reactors-and-uranium-requ-(15).aspx)

In relation to the assumptions adopted in determining the 2025 Supply Annual Cap, we discussed with the Management and performed the following work and analysis, including, among others, (i) reviewed and reperformed the price calculation pursuant to the 2024 Framework Agreement and noted that based on the uranium spot and long-term price indicators at the month-end of March 2024 and an upward adjustment of 5% to arrive at a reference price, the calculated price would be approximately USD85 per pound of Uranium Products, which formed the basis of the 2025 Supply Annual Cap; (ii) reviewed the projected base procurement schedule advised by the CNUC Group with an estimated quantity of approximately 1,000 ton U (equivalent to approximately 2.6 million pounds U_3O_8) for the year ending 31 December 2025, with a buffer to cater for (a) the increase in demand of Uranium Products by the CNUC Group which may materialise subsequent to the Latest Practicable Date; (b) the potential fluctuations in the price of Uranium Products; and (c) unexpected circumstances, such as delays in deliveries or prolonged processes in obtaining the relevant permit and/or authorisation for the transportation of the Uranium Products which may cause potential carryovers from 2024 to 2025; and (iii) the indicative base procurement schedule for the financial year ending 31 December 2025 as provided by the CNUC Group for 1,000 tons U, together with a buffer to accommodate for price and demand fluctuations as well as potential carryovers into 2025 in case of any delay in deliveries scheduled for 2024 due to unforeseen circumstances, such is notable lower than the Estimated CNNC 2024 Uranium Product Demand of 5,700 ton U calculated with reference to data published by the World Nuclear Association and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC as per our analysis under the 2024 Supply Annual Cap. Having considered the above, the Directors considered and we concurred that the assumptions adopted in determining proposed annual caps of the Uranium Supply Agreement are made on a fair and reasonable basis, and the proposed annual caps therefore is considered as fair and reasonable.

Given the year-on-year increase of (i) approximately 15.6% as represented by the 2025 Supply Annual Cap; and (ii) approximately 13.0% as represented by the 2025 Agent Annual Cap, is lower than the expected growth rate in uranium required by the PRC as estimated by the World Nuclear Association and the CAGR of the Group's historical revenue during the years ended 31 December 2021, 2022 and 2023 as analysed under (ii) above, respectively, together with the reasons and basis explained above, we considered the basis of the 2025 Supply Annual Cap and the 2025 Agent Annual Cap to be fair and reasonable.

7.2 Our analysis on the Proposed Annual Caps for the Uranium Purchase Transactions

The Proposed Annual Caps for the Uranium Purchase Transaction contemplated under the 2024 Framework Agreement for the two financial years ending 31 December 2024 and 2025 are set out as follows:

Transaction	**Proposed Annual Caps for the year ending 31 December**	
	2024	**2025**
	HK$'000	*HK$'000*
Uranium Purchase Transaction	20,000 (the "**2024 Purchase Annual Cap**")	40,000 (the "**2025 Purchase Annual Cap**")

In assessing the fair and reasonableness of the 2024 Purchase Annual Cap and 2025 Purchase Annual Cap, we have performed the following work and analysis, including, among others, (i) the estimated maximum production of Uranium by the Rössing Uranium Mine in tons U for the year ending 31 December 2024 based on information provided by the Management, and that the estimated maximum production quantity applied to estimate the 2024 Purchase Annual Cap and the 2025 Purchase Annual Cap being 1.5 million lb and 3.0 million lb, respectively; and (ii) the price applied for the estimation of the aforesaid annual caps is consistent with the price we analysed and reviewed under the section headed "Our analysis on the 2024 Supply Annual Cap and the 2024 Agent Annual Cap" in this letter above. Having considered the above, we are of the view that the basis of the Proposed Annual Caps for the Uranium Purchase Transaction to be fair and reasonable.

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

(i) the reasons for and benefits of the 2024 Framework Agreement;

(ii) the continuing connected transactions under the 2024 Framework Agreement is a furtherance and continuance of the Group's existing principal businesses and shall broaden the revenue base of the Group;

(iii) the transactions contemplated under the 2024 Framework Agreement shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the Group's internal procedures and in accordance with the relevant pricing policies; and

(iv) the basis for determining the proposed annual caps under the 2024 Framework Agreement is reasonable, details of which are set out under the section headed "7. Basis and rationale for determining the Proposed Annual Caps" in connection with the 2024 Framework Agreement in this letter above,

we are of the view that the transactions contemplated under the 2024 Framework Agreement, are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the 2024 Framework Agreement, including the Proposed Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the 2024 Framework Agreement (including the Proposed Annual Caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in the corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company *(Note 2)*
CNOL *(Note 1)*	Beneficial owner	326,372,273	66.72%
CNUC *(Note 1)*	Interest of a controlled corporation	326,372,273	66.72%
CNNC *(Note 1)*	Interest of a controlled corporation	326,372,273	66.72%

Notes:

(1) CNOL is the immediate holding company of the Company, which is directly wholly owned by CNUC, whereas CNUC is indirectly owned by CNNC.

(2) Based on 489,168,308 Shares in issue as at the Latest Practicable Date.

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other persons (other than the Directors, the chief executive and substantial Shareholders disclosed above) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

3. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31st December, 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which was significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which would not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Wang Cheng, Mr. Zhang Yi, Mr. Sun Ruofan and Mr. Wu Ge, all being Directors, also held positions in the CNUC Group or its associates. The CNUC Group is principally engaged in, among other things, uranium resources exploration, development, mining operations and management, and is the supplier of natural uranium products to the downstream nuclear power plants of the CNNC Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which are contained or referred to in this circular:

Name	Qualification
Red Sun Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
UxC	Industry consultant

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter or report and/or reference to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts has any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts has any interest, direct or indirect, in any assets which have been, since 31st December, 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

8. MISCELLANEOUS

(i) The secretary of the Company is Mr. Li Philip Sau Yan. Mr. Li is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(iii) The head office and principal place of business of the Company is situated at Unit 2906, 29th Floor, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong.

(iv) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

9. DOCUMENTS ON DISPLAY

A copy of the 2024 Framework Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnncintl.com) from the date of this circular up to and including the date of the EGM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this document.

中核集团
CNNC

CNNC INTERNATIONAL LIMITED
中核國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2302)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of CNNC International Limited (the "**Company**") will be held at Runnovation Shop 4, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong on Monday, 17th June, 2024 at 3:30 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution.

ORDINARY RESOLUTION

To consider and, if thought fit, pass with or without modifications, the following resolution as an ordinary resolution of the Company:

"**THAT**:

(a) the framework agreement to be entered into between the Company and China National Uranium Co., Limited (中國鈾業股份有限公司) (collectively, the "**Framework Agreement**"), as further particularised in the circular of the Company dated 21st May, 2024 (the "**Circular**"), and a copy of which are tabled at the EGM and marked "**A**" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder (including the Proposed Annual Caps (as defined in the Circular)) be and is hereby approved, confirmed and ratified; and

(b) any one of the Directors be and is hereby authorised to do such acts and things, to sign and execute all such further documents (under seal, where appropriate) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Framework Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

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

Hong Kong, 21st May, 2024

Notes:

1. Any member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member of the Company.

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 facts.

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 Unit 2906, 29th Floor, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than forty-eight (48) hours before the time appointed for the taking of the poll 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 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 holder 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 the 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.

6. The register of members of the Company will be closed from Wednesday, 12th June, 2024 to Monday, 17th June, 2024 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the extraordinary general meeting to be held on Monday, 17th June, 2024, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11th June, 2024.

7. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM in person, all members are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting if they so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

8. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be decided by poll at the EGM.

9. If Typhoon Signal No.8 or above is hoisted, or a "black" rainstorm warning is in force at or any time after 1:30 p.m. on the date of the EGM, the EGM will be postponed or adjourned. Members may visit the website of the Company for details of the postponement and alternative meeting arrangement.

10. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English Version shall prevail.

11. As at the date hereof, the board of directors of the Company comprises non-executive director and chairman of the board of directors, namely, Mr. Wang Cheng, executive director and chief executive officer of the Company, namely, Mr. Zhang Yi, non-executive directors, namely, Mr. Wu Ge and Mr. Sun Ruofan, and independent non-executive directors, namely, Mr. Cui Liguo, Mr. Zhang Lei and Mr. Chan Yee Hoi.