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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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- (1) CONTINUING CONNECTED TRANSACTION;  
SALES FRAMEWORK AGREEMENT;  
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION;  
FINANCIAL SERVICES FRAMEWORK AGREEMENT;  
(3) RE-ELECTION OF DIRECTOR; AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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A notice convening the EGM to be held at Conference Room 3001, 30/F, Tower A, International Centre of Times, 101 Shaoyaoju Beili, Chaoyang District, Beijing City, PRC on 15 September 2022 (Thursday) at 10:00 a.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. Such form of proxy is also published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.cgnmc.com](http://www.cgnmc.com).

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### ALTERNATE ARRANGEMENT AND PRECAUTIONARY MEASURES FOR THE EGM

To facilitate Shareholders attending the EGM, electronic facilities will be set up at Room 1903, 19/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Venue") where Shareholders or his/her/its proxies may participate in the EGM and cast their votes in person. For details, please refer to note 1 to the notice of EGM.

In view of the ongoing coronavirus disease (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM and the Hong Kong Venue to protect attending Shareholders, proxies of Shareholders, staff and stakeholders from the risk of infection including, without limitation:

- (1) Compulsory temperature check
- (2) Compulsory wearing of surgical face mask
- (3) No refreshment will be served

Shareholders and/or their proxies are also reminded to comply with the anti-pandemic requirements and measures imposed by the relevant authorities in Beijing and Hong Kong, as the case may be. Any person who does not wear a surgical face mask, not accept temperature check, with a body temperature above 37.2 degree Celsius or fails to comply with the applicable anti-pandemic requirements and measures may be denied entry into the EGM venue and the Hong Kong Venue.

The Company strongly encourages Shareholders **NOT to attend the EGM in person**, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. In any event, should Shareholders intend to attend the EGM, Shareholders and/or their proxies are advised to arrive the venue early to allow sufficient time for completing the precautionary procedures. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

\* For identification purpose only

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Central Mynkuduk Deposit”	the central plot of Mynkuduk deposit in South-Kazakhstan region of Kazakhstan operated by Ortalyk
“CGN Finance”	CGN Finance Co., Ltd* (中廣核財務有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CGNPC
“CGN Group”	CGNPC and its subsidiaries
“CGNPC”	China General Nuclear Power Corporation* (中國廣核集團有限公司), a company incorporated in the PRC with limited liability and the sole shareholder of CGNPC-URC
“CGNPC Huasheng”	CGNPC Huasheng Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CGNPC
“CGNPC-URC”	CGNPC Uranium Resources Co., Ltd* (中廣核鈾業發展有限公司), a company established in the PRC with limited liability and the sole shareholder of China Uranium Development
“CGNPC-URC Group”	CGNPC-URC and its subsidiaries, other than the Group
“China Uranium Development”	China Uranium Development Company Limited, a company incorporated in Hong Kong and the controlling shareholder of the Company, holding approximately 56.29% of the issued Shares as at the Latest Practicable Date
“China’s Big-Four Commercial Banks”	Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China
“Company”	CGN Mining Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Annual Cap(s)”	the maximum outstanding balance of deposits to be placed by the Group with CGN Finance and CGNPC Huasheng in aggregate (including any outstanding interest accrued thereon) under the New Financial Services Framework Agreement from time to time during the three years ending 31 December 2025
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving (i) the New Sales Framework Agreements, the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps) and (ii) the re-election of Director, which is scheduled to be held at Conference Room 3001, 30/F, Tower A, International Centre of Times, 101 Shaoyaoju Beili, Chaoyang District, Beijing City, PRC on 15 September 2022 (Thursday) at 10:00 a.m
“Existing Financial Services Framework Agreement”	the framework agreement dated 14 June 2019 entered into between the Company, CGN Finance and CGNPC Huasheng in relation to provision of certain financial services by CGN Finance and CGNPC Huasheng to the Group between 1 January 2020 to 31 December 2022
“Existing Framework Agreements”	collectively, the Existing Sales Framework Agreement and the Existing Financial Services Framework Agreement
“Existing Sales Framework Agreement”	the framework agreement dated 14 June 2019 entered into between the Company and CGNPC-URC in relation to the sale of natural uranium by the Group to CGNPC-URC Group between 1 January 2020 to 31 December 2022
“Foreign Subsidiaries”	subsidiaries of the Company other than PRC Subsidiaries
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Historic Sales Annual Caps”	the maximum annual transaction amount for the sale of natural uranium under the Existing Sales Framework Agreement for each of the three years ending 31 December 2020, 2021 and 2022 approved by the Independent Shareholders in the extraordinary general meeting held on 27 September 2019
“Historic Deposit Annual Caps”	the maximum aggregate amount of deposits authorised to be placed by the Group with CGN Finance and CGNPC Huasheng (including any interest accrued thereon) from time to time during each of the three years ending 31 December 2020, 2021 and 2022 by the Independent Shareholders in the extraordinary general meeting held on 27 September 2019
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board consisting all the independent non-executive Directors, established to advise the Independent Shareholders on the New Sales Framework Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the New Sales Framework Agreement and the transactions contemplated thereunder, and the placement of deposits under the New Financial Services Framework Agreement (including the proposed Sales Annual Caps and Deposit Annual Caps)
“Independent Shareholders”	Shareholders other than CGNPC and its associates
“Independent Third Party(ies)”	party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

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## DEFINITIONS

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“Irkol Mine”	the Irkol mine located in the Kyzylorzhinsk area, 20 kilometres from the town of Chiili, Kazakhstan, which is owned and operated by Semizbay-U
“Latest Practicable Date”	16 August 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Guanhua (劉冠華先生), a non-executive Director proposed to be re-elected at the EGM
“natural uranium”	uranium ore concentrates in the form of U <sub>3</sub> O <sub>8</sub> (triuranium octoxide)
“New Financial Services Framework Agreement”	the financial services framework agreement dated 16 June 2022 entered into between the Company, CGN Finance and CGNPC Huasheng in relation to provision of certain financial services by CGN Finance and CGNPC Huasheng to the Company between 1 January 2023 and 31 December 2025
“New Framework Agreements”	collectively, the New Sales Framework Agreement and the New Financial Services Framework Agreement
“New Sales Framework Agreement”	the framework agreement dated 16 June 2022 entered into between the Company and CGNPC-URC in relation to the sale of natural uranium by the Group to CGNPC-URC Group between 1 January 2023 and 31 December 2025
“Ortalyk”	Mining Company “ORTALYK” LLP, a legal entity established in the form of a limited liability partnership in Kazakhstan which is indirectly-owned as to 49% by the Company
“PBC”	the People’s Bank of China
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular only, not including Hong Kong, Macau and Taiwan)
“PRC Subsidiaries”	subsidiaries of the Company established in the PRC

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## DEFINITIONS

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“Previous Circular”	the circular of the Company dated 9 September 2019 in relation to, among other matters, the Existing Sales Framework Agreement and the Existing Financial Services Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Annual Caps”	the maximum annual transaction amount for the sale of natural uranium contemplated under the New Sales Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025
“Settlement Service Fees Annual Caps”	the maximum service fees payable during each of the three years ending 31 December 2023, 2024 and 2025 in respect of the settlement services to be provided by CGN Finance and CGNPC Huasheng under the New Financial Services Framework Agreement
“Semizbay Mine”	the Semizbay mine located in the Valihanov District of Akmoltnsk Oblast, Kazakhstan which is owned and operated by Semizbay-U
“Semizbay-U”	Semizbay-U Limited Liability Partnership, a limited liability partnership established in Kazakhstan which is indirectly-owned as to 49% by the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Sprott”	The Sprott Asset Management LP, a global leader in precious metals and real assets investments
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“TradeTech”	TradeTech of Denver Tech Centre, 7887 E. Belleview Avenue, Suite 888, Englewood, CO 80111, USA
“tU”	tonnes of elemental uranium
“US\$”	United States dollars, the lawful currency of the United States of America

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## DEFINITIONS

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“UxC”	UxC, LLC
“Zhalpak Deposit”	the uranium deposit located in Sozak district, Kazakhstan operated by Ortalyk
“%”	per cent

\* *For identification purpose only*



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## LETTER FROM THE BOARD

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中广核矿业有限公司\*  
CGN Mining Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01164)**

*Executive Directors:*

Mr. An Junjing (*Chairman and Chief Executive Officer*)

Ms. Xu Junmei

*Non-executive Directors:*

Mr. Sun Xu

Mr. Yin Xiong

Mr. Liu Guanhua

*Independent non-executive Directors:*

Mr. Qiu Xianhong

Mr. Gao Pei Ji

Mr. Lee Kwok Tung Louis

*Registered Office:*

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head Office and Principal Place  
of Business in Hong Kong:*

Room 1903, 19/F

China Resources Building

No. 26 Harbour Road

Wanchai, Hong Kong

19 August 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) Continuing Connected Transaction: Sales Framework Agreement;**  
**(2) Major and Continuing Connected Transaction: Financial Services Framework Agreement;**  
**(3) Re-Election of Director; and**  
**(4) Notice of Extraordinary General Meeting**

### INTRODUCTION

Reference is made to the announcement of the Company dated 16 June 2022, in relation to the entering into of (i) the New Sales Framework Agreement by the Company and CGNPC-URC and (ii) the New Financial Services Framework Agreement between the Company and CGN Finance and CGNPC Huasheng on 16 June 2022.

The purpose of this circular is to provide you with, among other things, (i) a letter from the Board containing further details of the New Sales Framework Agreement and the New Financial Services Framework Agreement; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the transactions; (iii) a letter from Gram Capital advising the Independent Board Committee and the Independent Shareholders on the transactions; and (iv) the notice of the EGM.

\* For identification purpose only

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## LETTER FROM THE BOARD

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In addition, pursuant to the articles of association of the Company, non-executive Director Mr. Liu Guanhua shall hold office only until the EGM and shall be eligible for re-election at the EGM. As such, this circular will also provide you with information in respect of the resolution to be proposed at the EGM for the re-election of Mr. Liu as non-executive Director.

### THE NEW FRAMEWORK AGREEMENTS

#### 1. Background

The Company entered into (i) the Existing Sales Framework Agreement with CGNPC-URC on 14 June 2019 in respect of the sale of natural uranium by the Group to CGNPC-URC Group between 1 January 2020 and 31 December 2022; and (ii) the Existing Financial Services Framework Agreement with CGN Finance and CGNPC Huasheng on 14 June 2019 in respect of (a) placement of deposits by the Group with CGN Finance and CGNPC Huasheng; (b) settlement services provided by CGN Finance and CGNPC Huasheng; and (c) loans and other facilities provided by CGN Finance and CGNPC Huasheng between 1 January 2020 and 31 December 2022.

As the terms of these Existing Framework Agreements will expire on 31 December 2022 and the Group intends to continue the relevant transactions after the expiry of the Existing Framework Agreements, the Company entered into the New Sales Framework Agreement and the New Financial Services Framework Agreement with the relevant party(ies) for another term of three years from 1 January 2023 on 16 June 2022.

#### 2. New Sales Framework Agreement

##### Principal terms

The principal terms of the New Sales Framework Agreement are as follows:

##### *Date*

16 June 2022

##### *Parties*

1. the Company
2. CGNPC-URC

##### *Term*

1 January 2023 to 31 December 2025

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## LETTER FROM THE BOARD

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### *Subject matter*

Subject to fulfillment of the condition precedent, CGNPC-URC Group shall purchase natural uranium from the Group. The relevant members of the Group and CGNPC-URC Group may enter into individual agreement(s) setting out the quantity and details of each delivery.

In addition, the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group during the term of the New Sales Framework Agreement.

### *Minimum purchase quantity*

1,200 tonnes of natural uranium per calendar year (subject to the Sales Annual Caps), provided that, in the event of supply or supply chain problem or other force majeure event resulting the Group unable to deliver the minimum quantity, CGNPC-URC Group shall only be required to purchase such amount able to be supplied by the Group in such calendar year.

### *Condition precedent*

The New Sales Framework Agreement shall become effective upon:

- (a) both parties having signed the New Sales Framework Agreement; and
- (b) the approval by the Independent Shareholders with respect to the entering into of the New Sales Framework Agreement and the transactions contemplated therein having been obtained.

### *Pricing mechanism*

The price per pound of natural uranium shall be determined on normal commercial terms with reference to international price indicators published by TradeTech and UxC as follows:

$$\text{Price} = 40\% \times \left( \begin{array}{l} \text{Forecasted 2023-2025} \\ \text{natural uranium price} \\ \text{(i.e. US\$61.78 per} \\ \text{pound of natural} \\ \text{uranium)}^1 \end{array} \right) \times \text{Inflation} \\ \text{multiplier}^2 + 60\% \times \left( \begin{array}{l} \text{Latest spot price} \\ \text{indicator available on} \\ \text{date of delivery}^3 \end{array} \right)$$

whereas:

1. Forecasted 2023-2025 natural uranium price is derived from the arithmetic average of (i) the arithmetic average of Term Nominal of Weighted Average Price Forecasts of 2023, 2024 and 2025 in “*Uranium Market Study 2022: Issue 1*” published by TradeTech, being US\$71 per pound of natural

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## LETTER FROM THE BOARD

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uranium; and (ii) the arithmetic average of Composite Long-Term Base Price Projections of 2023, 2024 and 2025 in “*Uranium Market Outlook – Q1 2022*” published by UxC, being US\$52.56 per pound of natural uranium.

2. Inflation multiplier is 1.000 in 2023, 1.035 in 2024 and 1.071 in 2025.
3. Latest spot price indicator available on date of delivery is calculated as the arithmetic average of the latest spot price indicators quoted in “*Nuclear Market Review*” by TradeTech and “*Ux Weekly*” by UxC available on the date of delivery.

### *Payment term*

30 calendar days upon completion of delivery unless otherwise agreed by the parties

### **Sales Annual Caps**

The annual cap amount for the transactions under the New Sales Framework Agreement shall be as follows:

	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>
Sales Annual Cap	HK\$4,092,000,000	HK\$4,402,000,000	HK\$4,541,000,000

### *Historical annual caps and transaction amounts*

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
Historic Sales	HK\$1,960,000,000	HK\$2,035,000,000	HK\$2,283,000,000
Annual Cap			
Actual transaction amount	HK\$424,913,120	HK\$610,918,144	HK\$686,269,515 <i>(up to 30 June 2022)</i>

The utilisation rates of the Historic Sales Annual Caps are relatively low mainly due to the following reasons:

- (i) *Delay in completion of the acquisition of 49% equity interest in Ortalyk*

As disclosed in the Previous Circular, the Historic Sales Annual Caps were determined taking into consideration of the expected additional off-take volume to be acquired upon completion of the acquisition of 49% equity interest in Ortalyk (referred to as the New Kazakhstan Uranium Project in the Previous Circular) (the “**Acquisition**”) which can increase the annual output capacity of the Group’s self-owned uranium mine to approximately three times of the actual output capacity during the year ended 31 December 2018.

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## LETTER FROM THE BOARD

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As the Acquisition did not complete until July 2021, with the first batch of uranium product off-take took place in November 2021, the actual transaction volume under the Existing Sales Framework Agreement prior to completion of the Acquisition is approximately two-third less than initially estimated.

*(ii) Fluctuation of natural uranium prices*

As disclosed in the Previous Circular, the Historic Sales Annual Caps were determined taking into account of the average long term price predictions of UxC and TradeTech of US\$40.13 and US\$43.18 per pound of natural uranium for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022, while the actual long-term price indicators published by UxC and TradeTech ranged from US\$32.5 to US\$36.0 per pound during the year ended 31 December 2020 and from US\$33.5 to US\$43 per pound during the year ended 31 December 2021, respectively, which is below the original prediction.

In particular, to provide buffer for fluctuation of natural uranium prices, the Company has placed additional weight to the high case scenario of the predicted natural uranium prices when determining the Historic Sales Annual Caps.

*Basis of determination of the Sales Annual Caps*

The Sales Annual Caps were determined based on the following factors:

*(i) The Group's increasing capability in supplying natural uranium*

In addition to the off-take right to 49% of the uranium products of Semizbay-U (which operates the Semizbay Mine and Irkol Mine), the Group acquired the off-take right to 49% of the uranium products of Ortalyk (which operates the Central Mynkuduk Deposit and Zhalpak Deposit) following completion of the acquisition of 49% equity interest in Ortalyk in July 2021.

Such addition uranium products from Ortalyk has increased the annual off-take volume of the Group and provide additional natural uranium capable to be supplied to CGNPC-URC Group under the New Sales Framework Agreement. Based on the current designed production capacity of 2,500tU per annum of the deposits operated by Ortalyk, it is estimated that the annual off-take amount by the Group would be approximately 1,200tU to 1,300tU in the three years ending 31 December 2025, which represents 2.1 times of the off-take volume from Semizbay-U based on its current designed production capacity or 2.6 to 2.8 times of the actual off-take volume of approximately 470tU from Semizbay-U during the year ended 31 December 2021.

Accordingly, based on the current production capacity of the natural uranium deposits operated by Semizbay-U and Ortalyk, the estimated annual off-take volume of the Group for the three years ending 31 December 2025 is estimated to be approximately 1,800tU (approximately 4.7 million pound) to 1,900tU (approximately 4.9 million pound).

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## LETTER FROM THE BOARD

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In addition, as part of the development strategy of the Company, the Company is continuously seeking for potential uranium resource investment opportunities. As such, the Sales Annual Caps have provided for an additional buffer of 600tU to 650tU of additional natural uranium supply per year, which is determined with reference to the current annual off-take volume from Semizbay-U.

Since 2021, the direction of “Developing Nuclear Power in a Proactive and Planned Manner” has been included in the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy*, the *Action Plan for Reaching Carbon Dioxide Peak Before 2030* and other documents of the State Council of the PRC, and became the guideline for development of nuclear power in the PRC of the future period. Uranium demand of Chinese nuclear power plant is expected to continue to increase steadily and CGNPC-URC Group will be able to purchase the additional natural uranium offered by the Group.

(ii) *Future uranium prices forecasted by TradeTech and UxC*

The Sales Annual Caps have taken into account the forecasted 2023-2025 uranium price, which constitutes 40% of the sales price under the pricing mechanism. In particular, the arithmetic average of Term Nominal of Weighted Average Price Forecasts of 2023, 2024 and 2025 in “*Uranium Market Study 2022: Issue 1*” published by TradeTech is US\$71 per pound of natural uranium; and the arithmetic average of Composite Long-Term Base Price Projections of 2023, 2024 and 2025 in “*Uranium Market Outlook – Q1 2022*” published by UxC is US\$52.56 per pound of natural uranium.

In relation to the latest spot price as at the date of delivery, which constitutes 60% of the sales price under the pricing mechanism, the Company has taken into account the high case scenario of natural uranium price projection by TradeTech and UxC. The table below sets forth the high case scenario of natural uranium price projection for 2023, 2024 and 2025 by TradeTech and UxC:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>US\$ per pound</i>	<i>US\$ per pound</i>	<i>US\$ per pound</i>
<i>TradeTech</i>			
Spot price projection (high boundary)	108	110	113
Long term price projection (high boundary)	97	99	102
 <i>UxC</i>			
Spot price projection (high case scenario – high 90% band)	59.63	63.06	67.07
Long term price projection (high case scenario)	54.55	57.30	61.41

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## LETTER FROM THE BOARD

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### **Information of UxC and TradeTech**

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

UxC is one of the nuclear industry's leading consulting companies. It offers a wide range of services spanning the full fuel cycle with special focus on market-related issues. UxC was founded in March 1994 as an affiliate of The Uranium Exchange Company (Ux), in order to extend and provide greater focus to Ux's consulting and information services capabilities. UxC has taken over these functions and now publishes the *Ux Weekly and Uranium 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 Chicago Mercantile Exchange (CME)/New York Mercantile Exchange (NYMEX) uranium futures contract.

TradeTech, along with its predecessor companies – NUEXCO Information Services, CONCORD Information Services and CONCORD Trading Company – has supported the uranium and nuclear fuel cycle industry for nearly 50 years. It is widely recognized for its expertise in trading activities and its comprehensive knowledge of the technical, economic and political factors affecting the 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 associates are third parties independent of the Group, CGNPC-URC Group and the CGN Group.

### **Basis of Determination of the Pricing Mechanism and Payment Term**

The pricing mechanism formula was determined after arm's length negotiation between the Company and CGNPC-URC which allows determination of the price per pound of natural uranium of each delivery with reference to the prices quoted by international institutions. By including (i) forecasted natural uranium price as at the first quarter of 2022 and (ii) latest spot price as at the date of delivery as the two components in determining the sales price, the formula allows a fair allocation of the forecasted uranium price as at the date of the New Sales Framework Agreement and the actual spot natural uranium price as at the date of delivery to mitigate the impact of future uranium price fluctuation on the revenue of the Group. The Directors believe that the minimum purchase quantity will be able to ensure that a minimum quantity will be purchased by CGNPC-URC in the event of falling uranium prices.

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## LETTER FROM THE BOARD

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The consideration of natural uranium being purchased shall be settled by CGNPC-URC Group within 30 calendar days upon completion of each delivery unless otherwise agreed by the Company and CGNPC-URC. Such credit period was determined taking into consideration of the time required for inspecting, testing and weighing natural uranium upon delivery, our credit risk and the reputation and financial stability of CGNPC-URC, with reference to (i) the 30 calendar-day credit period offered to the Group by its suppliers when sourcing natural uranium; (ii) the 30 calendar-day credit period generally offered by the Group to its independent nuclear power plant operator (or their affiliated companies) customers; and (iii) the 30 calendar-day credit period under the Existing Sales Framework Agreement. The Group will strictly enforce the aforementioned payment term prescribed under the New Sales Framework Agreement.

### **Internal Control Measures**

To safeguard the interest of the Group, the Group will adhere to the following internal control measures in respect of the transactions contemplated under the New Sales Framework Agreement:

- (i) each transaction under the New Sales Framework Agreement will be initialed and reviewed by the trading department, finance department, legal department of the Group, the chief finance officer and the vice general manager in charge of the trading department and submitted to the chief executive officer for authorising to be recommended for approval by the Board (with any Director having a material interest abstain from voting);
- (ii) designated staff from the trading department of the Group will obtain the relevant price indicators of UxC and TradeTech and ensure the selling price to be in conformity with the pricing mechanism under the New Sales Framework Agreement;
- (iii) designated staff from the finance department of the Group will closely monitor the total transaction amount to ensure that the relevant Sales Annual Cap will not be exceeded; and
- (iv) the independent non-executive Directors and the auditors of the Company will conduct annual review of the transactions under the New Sales Framework Agreement.

### **Reasons for and Benefits of the New Sales Framework Agreement**

The Existing Sales Framework Agreement will expire on 31 December 2022. The Group intends to continue the sale of natural uranium to the CGNPC-URC Group as it provides a stable source of income to the Group.



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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised by the PRC government to import natural uranium. Coupled with the facts that the Group, by entering into the New Sales Framework Agreement, will continue to maintain and stabilize its position as the natural uranium supplier of CGNPC-URC Group, the Board believes that the sale of natural uranium to CGNPC-URC Group will provide the Group with stable income sources as well as assist the Group in developing its expertise and experience in the uranium trading industry and enhance the Group's competitiveness in the future.

The terms and conditions of the New Sales Framework Agreement were determined after arm's length negotiations between the parties thereto. The Directors consider that the terms of the New Sales Framework Agreement are normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole and that the transactions contemplated under the New Sales Framework Agreement are in the ordinary and usual course of business of the Group and that the amount of the proposed Sales Annual Caps are fair and reasonable.

### **Relationship with the CGNPC-URC Group**

CGNPC-URC, a controlling shareholder of the Company, is one of the few enterprises in the PRC authorised to manage nuclear fuels and deal with the import and export of natural uranium. For the year ended 31 December 2021, the sales of natural uranium by the Group to the CGNPC-URC Group amounted to approximately HK\$610.9 million, representing approximately 16% of the total revenue of the Group.

The Directors believes that the CGNPC-URC Group purchases natural uranium from the Group due to the following reasons:

- (i) the Group has the off-take rights to the products of Semizbay-U and Ortalyk which provide a stable uranium source for the nuclear power plants of the CGN Group;
- (ii) the Group has established a long term and reliable trading relationship with the CGNPC-URC Group and can better understand its needs; and
- (iii) leveraging on the free-trade policy in Hong Kong, with no foreign exchange restrictions and easy access to financing and professional services, the Group is in a better position to source high quality uranium.

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## LETTER FROM THE BOARD

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### 3. New Financial Services Framework Agreement

#### Principal terms

The principal terms of the New Financial Services Framework Agreement are as follows:

#### *Date*

16 June 2022

#### *Parties*

1. the Company
2. CGN Finance
3. CGNPC Huasheng

#### *Term*

1 January 2023 to 31 December 2025

#### *Subject matters*

1. Placement of deposits

PRC Subsidiaries of the Group may set up and maintain RMB and foreign currency deposit accounts with CGN Finance and make deposit. Foreign Subsidiaries of the Group may authorise their account(s) at third party commercial banks be linked to the cash pooling master settlement account maintained by CGNPC Huasheng, allowing cash balance in such account(s) to be transferred automatically to cash pooling master settlement account and the amount transferred to the cash pooling master settlement account constitutes money deposited by the Group with CGNPC Huasheng.

2. Settlement services

CGN Finance and CGNPC Huasheng may provide settlement and similar services to the Group through the accounts set up by the PRC Subsidiaries of the Group with CGN Finance and the accounts linked to the cash pooling master settlement account of CGNPC Huasheng by Foreign Subsidiaries of the Group or such other means as agreed by the relevant parties.

3. Loans and other facilities

CGN Finance and CGNPC Huasheng may grant loans and other facilities, such as revolving loans, entrusted loans, bill acceptance and note discounting services, to the Group.

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## LETTER FROM THE BOARD

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### *Condition precedent*

The New Financial Services Framework Agreement shall be conditional upon the Group having obtained all the necessary consent and approvals in respect of the New Financial Services Framework Agreement, including the approval by the Independent Shareholders on the New Financial Services Framework Agreement and the transactions contemplated thereunder.

### *Pricing mechanism*

#### 1. Placement of deposits

The interest rate of the deposits with CGN Finance shall not be lower than (i) the interest rates for the same type and term of deposit offered by China's Big-Four Commercial Banks; and (ii) the interest rate for the same type and term of deposit provided by CGN Finance to other PRC subsidiaries of the CGN Group.

The interest rate of the deposits with CGNPC Huasheng shall not be lower than (i) the interest rate for similar deposit offered by CGNPC Huasheng to other members of the CGN Group; and (ii) the interest rates quoted by other independent commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) for similar type of deposit.

#### 2. Settlement services

The fees charged by CGN Finance for provision of settlement services shall be in accordance with the standard fee prescribed by PBC or China Banking and Insurance Regulatory Commission in respect of such services. If no such standard fee is available, the service fee shall be on normal commercial terms and not higher than (i) the fees charged by China's Big-Four Commercial Banks for the same type of services; and (ii) the fees charged by CGN Finance for providing similar services to other PRC subsidiaries of the CGN Group.

The fees charged by CGNPC Huasheng shall not be higher than (i) the fees charged by CGNPC Huasheng for providing similar services to other members of the CGN Group; and (ii) the fees quoted by other commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited).

#### 3. Loans and other facilities

The terms and conditions of such loans, including the loan amount, term, interest payment method and timing, shall be determined after arm's length negotiations between (i) the Group and (ii) CGN Finance or CGNPC Huasheng, as the case may be.

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## LETTER FROM THE BOARD

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Such loans and other facilities shall be conducted on normal commercial terms and shall not be secured by any asset of the Group. In respect of the loans and other facilities granted by CGN Finance, the interest rate shall not be higher than (i) the loan interest rates quoted by China's Big-Four Commercial Banks to the Group for the same type and term of loan; and (ii) the loan interest rates charged by CGN Finance to other members of CGN Group in the PRC for similar type of loan.

### **Termination**

Each of the Company, CGN Finance and CGNPC Huasheng is entitled to terminate the New Financial Services Framework Agreement at any time by giving at least one month's written notice to the other parties.

In the event of termination, CGN Finance and CGNPC Huasheng shall return all the deposits (whether due or not) together with interest accrued and other fees payable to the Group as soon as practicable.

### **Financial Services Annual Caps**

The maximum outstanding balance of deposits (including any outstanding accrued interest) to be placed by the Group with CGN Finance and CGNPC Huasheng in aggregate under the New Financial Services Framework Agreement shall be as follows:

	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>
Deposit Annual Cap	US\$700 million	US\$700 million	US\$700 million

In addition, the annual caps for settlement service fees under the New Financial Services Framework Agreement are US\$300,000 for each of the year ending 31 December 2023, 2024 and 2025.

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## LETTER FROM THE BOARD

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### *Historical annual caps and transaction amounts*

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
Historic Deposit Annual Cap	US\$500 million	US\$500 million	US\$300 million
Maximum outstanding balance of deposits (including any accrued interest)	US\$192 million	US\$199 million	US\$205 million <i>(up to 30 June 2022)</i>

The utilisation rates of the Historic Deposit Annual Caps in respect of the years ended 31 December 2020 and 2021 are relatively low mainly because, as disclosed in the Previous Circular, the Historic Deposit Annual Caps of the years ended 31 December 2020 and 2021 have taken into consideration of the financial resources obtained by the Group in relation to the acquisition of 49% equity interest of Ortalyk at the consideration of approximately US\$435.1 million. However, as the loan obtained by the Group for settling the acquisition consideration was arranged in an efficient manner, such loan was not accounted for deposit in CGNPC Huasheng nor CGN Finance, resulting a lower utilization rates of the Historic Deposit Annual Caps of the years ended 31 December 2020 and 2021.

### *Basis of determination of the Deposit Annual Caps*

The proposed Deposit Annual Caps were determined with reference to, among others, (i) the historical and estimated cashflow movements and level of deposits of the Group; (ii) the cash balance of the Group; and (iii) the requirements to settle funds with members of CGN Group and/or any other third parties. In particular, the increase in the Deposit Annual Caps as compared to the annual caps for deposits under the Existing Financial Services Framework Agreement is mainly due to (i) the expected increase in trading volume of natural uranium with the CGNPC-URC Group as elaborated under the basis of determination of the Sales Annual Caps above in “2. New Sales Framework Agreement” in this Letter from the Board, (ii) possible funds obtained for acquisition of high quality uranium mines by the Group which was estimated with reference to the consideration of US\$435.1 million paid for acquisition of 49% equity interest in Ortalyk by the Group in 2021 as well as the rising natural uranium prices, and (iii) the expected increase in amount of dividend to be received as a result of (a) completion of acquisition of 49% equity interest of Ortalyk which has a production capacity of approximately 2.1 times than that of Semizbay-U and (b) increase of profit of Semizbay-U due to rising natural uranium price which was estimated based on the dividend distribution by Semizbay-U of US\$13.43 million for the year ended 31 December 2021.

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## LETTER FROM THE BOARD

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### **Reasons for and Benefits of the New Financial Services Framework Agreement**

The Existing Financial Services Framework Agreement will expire on 31 December 2022. The Group intends to continue with the transactions under the Existing Financial Services Framework Agreement.

Through years of cooperation, CGN Finance and CGNPC Huasheng have become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and the overall financial administrative system, which enables them to render more expedient, efficient and flexible services to the Group than independent commercial banks and financial institutions. The Group is expected to benefit from CGN Finance's and CGNPC Huasheng's familiarity of the Group's industry and operations while earning interests no less favourable than placing the same with other commercial banks for the same type and term of deposit places with CGN Finance and/or CGNPC Huasheng.

In addition, the transaction system and platform of CGN Finance and CGNPC Huasheng are not open to the general public and as such, the Group believes that it is more secure than the transaction systems and platforms offered by independent commercial banks.

As the Group has transactions with members of the CGNPC-URC Group under the New Sales Framework Agreement, there will be needs for the Group to settle funds with members of the CGNPC-URC Group. As CGN Finance and CGNPC Huasheng also provide similar financial services to members of the CGNPC-URC Group, they will provide a more expedite and efficient way for the Group to settle any balance between the Group and members of the CGNPC-URC Group than through independent commercial banks.

Although CGN Finance and CGNPC Huasheng are not banks and there is default risk in the deposits placed with them, the Group is satisfied that such risk is not significant having considered (i) there has not been any default by CGN Finance and CGNPC Huasheng since their business cooperation with the Group; (ii) the Group has closely monitored and will continue to closely monitor the deposits placed with CGN Finance and CGNPC Huasheng; (iii) CGNPC has undertaken in writing to support the funding and liquidity requirements of CGN Finance and CGNPC Huasheng; and (iv) the Group has the right to request CGN Finance and CGNPC Huasheng to provide their financial statements to the Group from time to time in order for the Group to assess their financial credibility.

In light of the foregoing reasons, the Directors consider that the terms of the New Financial Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole and that the transactions contemplated under the New Financial Services Framework Agreement are in the ordinary and usual course of business of the Group and that the proposed Deposit Annual Caps and the proposed Settlement Service Fees Annual Caps are fair and reasonable.

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## LETTER FROM THE BOARD

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### **Internal Control Measures**

To safeguard the interest of the Group, the Group will adhere to the following internal control measures in respect of placement of deposits with CGN Finance and CGNPC Huasheng under the New Financial Services Framework Agreement:

- (i) fund manager of the Group will obtain quotations on interest rates from independent commercial banks, including China's Big-Four Commercial Banks in relation to deposits in the PRC, and compare with the offer from CGN Finance or CGNPC Huasheng, as the case may be, in making recommendations for approval by the finance department of the Group;
- (ii) designated staff from the finance department of the Group will closely monitor the balance of deposits placed with CGN Finance and CGNPC Huasheng on a daily basis to ensure that the relevant Deposit Annual Cap is not exceeded;
- (iii) in the event that (a) the interest rate quoted by CGN Finance and CGNPC Huasheng is less favourable than that provided by independent commercial banks in PRC and Hong Kong, as the case may be, for the same term and type of deposit; or (b) the balance of deposits to be placed with CGN Finance and CGNPC Huasheng, in aggregate, will exceed the relevant Deposit Annual Cap, the Group will not deposit further amount with CGN Finance and CGNPC Huasheng; and
- (iv) the independent non-executive Directors and the auditors of the Company will conduct annual review of the transactions under the New Financial Services Framework Agreement.

#### **4. Listing Rules Implications**

##### **The New Sales Framework Agreement**

As at the Latest Practicable Date, CGNPC, the controlling shareholder of the Company is indirectly holding 57.88% of the issued Shares, among which 56.29% of the issued Shares is held by China Uranium Development, its wholly-owned indirect subsidiary. CGNPC-URC is the intermediate holding company, being a subsidiary of CGNPC and the sole shareholder of China Uranium Development. Accordingly, CGNPC-URC is a connected person of the Company and the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial advisor), Independent Shareholders' approval, annual reporting and annual review requirements.

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## LETTER FROM THE BOARD

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### **The New Financial Services Framework Agreement**

As at the Latest Practicable Date, each of CGN Finance and CGNPC Huasheng is a subsidiary of CGNPC. Accordingly, the transactions contemplated under the New Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### *(i) Placement of deposits*

As neither CGN Finance nor CGNPC Huasheng is a banking company as defined under the Listing Rules, the placement of deposits by the Group with CGN Finance and CGNPC Huasheng under the New Financial Services Framework Agreement constitutes financial assistance provided by the Group within the definitions of the Listing Rules.

As the highest applicable percentage ratio based on the proposed Deposit Annual Cap is more than 25%, the placement of deposits under the New Financial Services Framework Agreement also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Accordingly, the placement of deposits under the New Financial Services Framework Agreement is subject to the reporting, announcement, circular (including the independent financial advisor), Independent Shareholders' approval, annual reporting and annual review requirements.

#### *(ii) Settlement services*

As the highest applicable percentage ratio based on the proposed Settlement Service Fees Annual Cap is less than 5% and the proposed Settlement Service Fees Annual Cap is less than HK\$3,000,000 and the terms of the New Financial Services Framework Agreement are on normal commercial terms (or better to the Group), the provision of settlement services by CGN Finance and CGNPC Huasheng to the Group is exempted from the reporting, announcement, circular (including the independent financial advisor), Independent Shareholders' approval, annual reporting and annual review requirements pursuant to Rule 14A.76 of the Listing Rules.

#### *(iii) Loans and other facilities*

Since the loans and other facilities to be granted by CGN Finance and CGNPC Huasheng to the Group will be on normal commercial terms (or better to the Group) and not secured by any asset of the Group, such loans and other facilities are exempted from the reporting, announcement, circular (including the independent financial advisor), Independent Shareholders' approval, annual reporting and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.



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## LETTER FROM THE BOARD

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### 5. General Information in relation to the New Framework Agreements

#### Information of the Parties

##### *The Group*

The Group is principally engaged in investment and development of natural uranium resources and trading of natural uranium products with the Company principally engaged in trading of natural uranium products.

##### *CGNPC-URC*

CGNPC-URC is a company established in the PRC with limited liability and the sole shareholder of China Uranium Development, the controlling shareholder of the Company, holding 56.29% of the issued Shares as at the Latest Practicable Date. CGNPC-URC is a subsidiary of CGNPC, which was indirectly holding 57.88% of the issued Shares as at the Latest Practicable Date (including the 56.29% of the issued Shares held by China Uranium Development).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised to manage nuclear fuels and deal with the import and export of natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; and (ii) deal with the import and export trade of PRC and overseas natural uranium and related products.

Founded on 29 September 1994, CGNPC is a large clean energy enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGNPC together with its subsidiaries are principally engaged in the generation and sale of electricity, construction, operation and management of nuclear power projects and non-nuclear clean energy projects.

##### *CGN Finance*

CGN Finance is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CGNPC. CGN Finance is a non-banking financial institution established in the PRC with the approval of the then China Banking Regulatory Commission (currently known as the China Banking and Insurance Regulatory Commission) and the principal activities of which include providing settlement and similar services and taking deposits from members of the CGN Group in the PRC and providing intra-group loan among members of the CGN Group in the PRC.

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## LETTER FROM THE BOARD

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### *CGNPC Huasheng*

CGNPC Huasheng is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CGNPC. CGNPC Huasheng is a money lender licensed under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) in Hong Kong and the principal activities of CGNPC Huasheng include providing settlement and similar services and taking deposits from members of the CGN Group and providing intra-group loan among members of the CGN Group.

### **Abstain from Voting**

Mr. An Junjing, Ms. Xu Junmei, Mr. Sun Xu and Mr. Yin Xiong have abstained from voting on the relevant board resolutions approving the New Sales Framework Agreement and the New Financial Services Framework Agreement and the transactions contemplated thereunder as each of Mr. An, Ms. Xu, Mr. Sun and Mr. Yin is considered to have a material interest in the resolutions by virtue of their directorial and/or managerial positions in CGNPC-URC.

### **Independent Board Committee**

The Independent Board Committee consisting of Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis, being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the New Sales Framework Agreement and the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps).

### **Independent Financial Adviser**

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Sales Framework Agreement and the transactions contemplated thereunder, and the placement of deposits under the New Financial Services Framework Agreement (including the proposed Sales Annual Caps and Deposit Annual Caps).

## **RE-ELECTION OF DIRECTOR**

Pursuant to Article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy or as an additional Director by the Board shall hold office only until the next following general meeting of the Company and shall be eligible for re-election at the meeting. Accordingly, Mr. Liu Guanhua (劉冠華先生), who was appointed as a Director by the Board on 19 July 2022, shall hold office only until the EGM and, being eligible, will offer himself for re-election. The biography of Mr. Liu is as follows:

Mr. Liu, aged 39, has been appointed as a non-executive Director on 19 July 2022. Mr. Liu is also currently the managing director of the investment department of Chengtong Mixed Ownership Private Equity Fund Management Co., Ltd.\* (誠通混改私募基金管理有限公司) (“**Chengtong Mixed Ownership**”), mainly responsible for investment in new energy.

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## LETTER FROM THE BOARD

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Chengtong Mixed Ownership is the manager of The China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.\* (中國國有企業混會所有制改革基金有限公司), which is a national fund approved by the State Council of the People's Republic of China and a 9.99% shareholder of the Company as at the Latest Practicable Date. Mr. Liu has also been a director of Shanghai Jie-Hydrogen Technology Co., Ltd.\* (上海捷氫科技股份有限公司) since September 2021, and a director of Beijing Micro-structure Workshop Biotechnology Co., Ltd.\* (北京微構工場生物技術有限公司) and Zhejiang Hancheng Technology Co., Ltd.\* (浙江漢丞科技有限公司) since December 2021.

Prior to joining Chengtong Mixed Ownership in February 2021, Mr. Liu served as (i) the general manager of the strategic management department of Inner Mongolia Junzheng Energy and Chemical Group Co., Ltd.\* (內蒙古君正能源化工集團股份有限公司), mainly responsible for strategic planning, chemical energy and new materials investment and acquisition, and strategic business expansion, between 2018 and 2021, (ii) involved in the commercialisation of cleaning technology in a company invested by Chinese Academy of Sciences between 2012 and 2017 and (iii) served as a senior researcher on catalyst materials at Johnson Matthey PLC between 2010 and 2012.

Mr. Liu graduated from the Central South University with a bachelor of science degree in June 2005. Mr. Liu further obtained a Master of Science degree in advanced chemical engineering with biotechnology and a PhD degree from the Imperial College of Science, Technology and Medicine in November 2006 and August 2010, respectively. Mr. Liu was accredited as a senior engineer in chemistry by Chinese Academy of Sciences in 2013 and a chartered financial analyst by the CFA Institute in 2017.

There is no fixed term for Mr. Liu's appointment as non-executive Director but Mr. Liu is subject to the retirement and re-election requirements under the articles of association of the Company. Mr. Liu has waived his right to receive any remuneration from the Company in his service contract and will not be entitled to any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Liu: (i) did not have any other relationship with any other director, senior management or substantial or controlling shareholders of the Company (within the definition of the Listing Rules); (ii) did not have any interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance; (iii) did not hold any other position with any member of the Group; (iv) had not held any directorship in any other listed public companies in the last three years; (v) had no other major appointment or professional qualification; and (vi) had no information to be disclosed pursuant to any of the requirements under Rule 13.51(2) (h) to 13.51(2)(v) of the Listing Rules nor any other matter that need to be brought to the attention of the Shareholders.

### EGM

A notice of the EGM which will be held at Conference Room 3001, 30/F, Tower A, International Centre of Times, 101 Shaoyaoju Beili, Chaoyang District, Beijing City, PRC on 15 September 2022 (Thursday) at 10:00 a.m is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM to (i) seek Independent Shareholders' approval for the New Sales Framework Agreement and the New Financial

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## LETTER FROM THE BOARD

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Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps) and (ii) re-elect Mr. Liu as non-executive Director.

Due to its interest in each of the New Sales Framework Agreement and the New Financial Services Framework Agreement, CGNPC and its subsidiaries, together holding 57.88% of the issued Shares as at the Latest Practicable Date, will abstain from voting on the relevant resolutions approving the New Sales Framework Agreement and the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps) at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

### *Proxy*

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed revoked.

### *Book Closure*

To determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 9 September 2022 (Friday) to 15 September 2022 (Thursday), both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on 8 September 2022 (Thursday).

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

#### *New Framework Agreements*

As the Directors consider that the terms of each of the New Sales Framework Agreement and the New Financial Services Framework Agreement and the transactions contemplated thereunder are on normal commercial term, fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed Sales Annual Caps and Deposit Annual Caps are fair and reasonable, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the New Sales Framework Agreement and the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed Sales Annual Caps and Deposit Annual Caps) to be proposed at the EGM.

#### *Re-election of Director*

The Board considers that the re-election of Mr. Liu is in the interests of the Company and its Shareholders as a whole and recommends the Shareholders to vote in favour of the resolution approving the re-election of Mr. Liu as non-executive Director to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the Letter from the Independent Board Committee, the Letter from Gram Capital and the other information set out in Appendices I and II to this circular.

Yours faithfully,  
By Order of the Board  
**CGN Mining Company Limited**  
**An Junjing**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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中广核矿业有限公司\*  
CGN Mining Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01164)**

19 August 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**Continuing Connected Transaction:  
Sales Framework Agreement  
and  
Major and Continuing Connected Transaction:  
Financial Services Framework Agreement**

We refer to the circular dated 19 August 2022 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the New Sales Framework Agreement and the New Financial Services Framework Agreement are normal commercial terms, fair and reasonable and whether the transactions contemplated thereunder are in the ordinary and usual course of business the Group and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

We wish to draw your attention to (i) the “Letter from the Board” on pages 7 to 27 of the Circular which contains information of the New Sales Framework Agreement and the New Financial Services Framework Agreement; and (ii) the “Letter from Gram Capital” on pages 30 to 48 of the Circular which contains the advice of Gram Capital in respect of the New Sales Framework Agreement and the transactions contemplated thereunder and the placement of deposits under the New Financial Services Framework Agreement (including the proposed Sales Annual Caps and Deposit Annual Caps).

Having taken into account the advice of Gram Capital, we consider that (i) the terms of the New Sales Framework Agreement and the New Financial Services Framework Agreement are normal commercial terms (or better to the Group) and fair and reasonable; (ii) the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed Sales Annual Caps and Deposit Annual Caps are fair and reasonable.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the New Sales Framework Agreement and the New Financial Services Framework Agreement.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**CGN Mining Company Limited**

**Qiu Xianhong**

**Gao Pei Ji**

**Lee Kwok Tung Louis**

*Independent non-executive Directors*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.*



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

19 August 2022

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

Dear Sirs,

### MAJOR AND CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New Sales Framework Agreement (the “**Sale CCT**”) and the placement of deposits by the Group with CGN Finance and CGNPC Huasheng under the New Financial Services Framework Agreement (the “**Deposit CCT**”, together with the Sale CCT, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 August 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Existing Framework Agreements will expire on 31 December 2022. As the Group intends to continue, amongst others, the Sale CCT and the Deposit CCT after 31 December 2022, the Company entered into the New Sales Framework Agreement and the New Financial Services Framework Agreement on 16 June 2022 (after trading hours) for a term of three years ending 31 December 2025.

With reference to the Board Letter, the Sale CCT constitutes continuing connected transaction of the Company and the Deposit CCT constitutes major and continuing connected transactions of the Company. Accordingly, the Company is required to comply with the reporting, annual review, announcement, and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A (as the case may be) of the Listing Rules in respect of the Transactions.



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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the New Sales Framework Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in respect of the very substantial acquisition and connected transaction of the Company and continuing connected transaction as set out in the Company's circular dated 25 May 2021. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### BASIS OF OUR OPINION

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

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## LETTER FROM GRAM CAPITAL

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

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

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### Information on the Group

With reference to the Company's annual report for the year ended 31 December 2021 (the "**2021 Annual Report**"), the Group is principally engaged in investment and trading of natural uranium resources. As at 31 December 2021, the Company (i) held 100% equity interest in Beijing Sino-Kazakh Uranium Resources Investment Company Limited\* (北京中哈鈾資源投資有限公司), through which it held 49% of the equity interest and off-take rights of products of Semizbay-U; (ii) held 100% equity interest in CGNM UK Limited, through which it held 49% of the equity interest and off-take rights of products of Ortalyk. In addition, the Group had a wholly-owned subsidiary, CGN Global Uranium Ltd ("**CGN GU**") and held 14.34% equity interest in Fission Uranium Corp. ("**Fission**") (a Canadian-based resource company of which ordinary shares are listed on the Toronto Stock Exchange under the symbol "FCU", the OTCQX market place in the United States of America under the symbol "FCUUF" and on the Frankfurt Stock Exchange under the symbol "2FU").

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## LETTER FROM GRAM CAPITAL

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Set out below is the audited consolidated financial information of the Company for the two years ended 31 December 2021 as extracted from the 2021 Annual Report:

	<b>For the year ended 31 December 2021 HK\$'000</b>	<b>For the year ended 31 December 2020 HK\$'000</b>	<b>Change from 2020 to 2021 %</b>
Revenue	3,859,530	2,862,226	34.84
<i>Natural uranium trading</i>	3,856,085	2,859,214	34.87
<i>Property investment</i>	3,445	3,012	14.38
Gross Profit	88,279	202,766	(56.46)
Profit for the year attributable to owners of the Company	178,498	155,217	15.00

As illustrated by the above table, the Group's revenue for the year ended 31 December 2021 ("FY2021") increased by approximately 34.84% as compared to that for the year ended 31 December 2020 ("FY2020"). With reference to the 2021 Annual Report, such increase was mainly due to CGN GU actively expanded sales with increased annual trade volume. Nevertheless, affected by narrowing of long-trade and spot prices spread in the offtake business and narrowing of trade spreads of CGN GU, the Group's gross profit for FY2021 decreased by approximately 56.46% as compared to that for FY2020.

Despite the aforesaid decrease in the Group's gross profit, the profit attributable to owners of the Company for FY2021 increased by approximately 15.00% as compared to that for FY2020. With reference to the 2021 Annual Report and as advised by the Management, such increase was mainly due to (i) significant increase in share of results of a joint venture; and (ii) share of positive results of associates for FY2021 as compared to share of negative results of associate for FY2020.

Set out below is the business development outlook of the Group in different areas according to the 2021 Annual Report:

- (i) The Company will actively participate in the governance of Semizbay-U through its board of directors to ensure that Semizbay-U completes its annual production plan and product sales tasks and achieves its annual profit target. In 2022, Semizbay-U will continue to promote evaluation of available resources in No.4 ore body and re-estimation of the geological reserves of Semizbay Mine, to explore increasing the reserve of Semizbay-U to prepare for enhancing its sustainability.
- (ii) In 2022, the Company will participate in the governance of Ortalyk through its board of directors to ensure Central Mynkuduk Deposit completes its annual production plan and product sales tasks and achieves its annual profit target on one hand; and the mine construction plan and pre-construction preparatory work of Zhalpak Deposit are completed in a high-quality manner on the other hand.

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## LETTER FROM GRAM CAPITAL

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- (iii) In respect of Fission, the Company mainly relies on participation in its board of directors to involve in its major decision-making and exert influence, while continuously deepening the technical support to Fission's Patterson Lake South project and enhancing regular technical exchange.
- (iv) The Group will strengthen its business dealings with end customers, such as global nuclear power plants owners, actively participate in international market bidding, deepen its analysis of market conditions and counterparties' behaviours, seize market opportunities, develop new business models and actively explore new trading opportunities to ensure the achievement of annual trade targets.
- (v) The Company is optimistic about the continuous growing trend of natural uranium demand brought by the long-term stable development of global nuclear power. The Company will seize this historical opportunity and continue to seek for potential uranium resource investment opportunities to build a sustainable pipeline of low-cost, high-quality uranium resources to achieve continuity of production capacity and provide nuclear power owners with a sustainable and stable uranium resource. At the same time, the Company will seek to establish strategic cooperative relationships with internationally renowned uranium producers and traders and to explore the feasibility of joint development of uranium projects in various modes.

### **Information on CGNPC-URC**

With reference to the Board Letter, CGNPC-URC is a company established in the PRC with limited liability and the sole shareholder of China Uranium Development, the controlling shareholder of the Company. CGNPC-URC is a subsidiary of CGNPC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised to manage nuclear fuels and deal with the import and export of natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; and (ii) deal with the import and export trade of the PRC and overseas natural uranium and related products. CGNPC-URC is a connected person of the Company.

With reference to the Board Letter, CGNPC is a large clean energy enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGNPC together with its subsidiaries are principally engaged in the generation and sale of electricity, construction, operation and management of nuclear power projects and non-nuclear clean energy projects.

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## LETTER FROM GRAM CAPITAL

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### **Information on CGN Finance and CGNPC Huasheng**

With reference to the Board Letter, CGN Finance is a company incorporated in the PRC with limited liability and a subsidiary of CGNPC. CGN Finance is a non-banking financial institution established in the PRC with the approval of the then China Banking Regulatory Commission (currently known as China Banking and Insurance Regulatory Commission) and the principal activities of which include providing settlement and similar services and taking deposits from members of the CGN Group in the PRC and providing intra-group loan among members of the CGN Group in the PRC.

With reference to the Board Letter, CGNPC Huasheng is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CGNPC. CGNPC Huasheng is a money lender licensed under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) in Hong Kong and the principal activities of CGNPC Huasheng include providing settlement and similar services and taking deposits from members of the CGN Group and providing intra-group loan among members of the CGN Group.

CGN Finance and CGNPC Huasheng are connected persons of the Company.

### **A. THE SALE CCT**

#### **Reasons for and benefits of the Sale CCT**

With reference to the Board Letter, the Existing Sales Framework Agreement will expire on 31 December 2022. The Group intends to continue the sale of natural uranium to the CGNPC-URC Group as it provides a stable source of income to the Group. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised by the PRC government to import natural uranium. Coupled with the facts that the Group, by entering into the New Sales Framework Agreement, will continue to maintain and stabilize its position as the natural uranium supplier of CGNPC-URC Group, the Board believes that the sale of natural uranium to CGNPC-URC Group will provide the Group with stable income sources as well as assist the Group in developing its expertise and experience in the uranium trading industry and enhance the Group's competitiveness in the future.

With reference to the 2021 Annual Report, natural uranium trading has continued to be the main source of revenue of the Group for the two years ended 31 December 2021. The Group's natural uranium trading segment generated over 99% of the Group's revenue for FY2020 and FY2021. The Group's natural uranium trading segment revenue for FY2021 also increased by approximately 34.87% as compared to that for FY2020.

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## LETTER FROM GRAM CAPITAL

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According to the Board Letter, the actual transaction amounts under the Existing Sales Framework Agreement was approximately HK\$425 million for FY2020 and approximately HK\$611 million for FY2021, represented substantial portions of the Group's natural uranium trading segment revenue.

Having considered the above, we are of the view that that the Sale CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

### **Principle terms of the Sale CCT**

Summarised below are the principal terms of Sale CCT as contemplated under the New Sales Framework Agreement, details of which are set out under the section headed "NEW SALES FRAMEWORK AGREEMENT" of the Board Letter.

#### ***Date***

16 June 2022

#### ***Parties***

The Company and CGNPC-URC

#### ***Term***

1 January 2023 to 31 December 2025

#### ***Subject matter***

Subject to fulfilment of the condition precedent, CGNPC-URC Group shall purchase natural uranium in the form of  $U_3O_8$  from the Group. The relevant members of the Group and CGNPC-URC Group may enter into individual agreement(s) setting out the quantity and details of each delivery. In addition, the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group during the term of the New Sales Framework Agreement.

#### ***Minimum purchase quantity***

1,200 tonnes of natural uranium per calendar year (subject to the Sales Annual Cap), provided that, in the event of supply or supply chain problem or other force majeure event resulting the Group unable to deliver the minimum quantity, CGNPC-URC Group shall only be required to purchase such amount able to be supplied by the Group in such calendar year.

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## LETTER FROM GRAM CAPITAL

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### *Pricing mechanism*

The price per pound of natural uranium shall be determined on normal commercial terms with reference to international price indicators published by UxC and TradeTech as follow (the “**Pricing Formula**”):

$$\text{Price} = 40\% \times \begin{array}{l} \text{Forecasted 2023-2025} \\ \text{natural uranium} \\ \text{price (i.e. US\$61.78} \\ \text{per pound of U}_3\text{O}_8\text{)} \\ \text{(Note 1)} \end{array} \times \begin{array}{l} \text{Inflation multiplier} \\ \text{(Note 2)} \end{array} + 60\% \times \begin{array}{l} \text{Latest spot} \\ \text{price indicator} \\ \text{available on date of} \\ \text{delivery (Note 3)} \end{array}$$

*Notes:*

1. Forecasted 2023-2025 natural uranium price is determined as the arithmetic average of (i) 2023 to 2025 Term Nominal of Weighted Average Price Forecasts in “Uranium Market Study 2022: Issue 1” published by TradeTech, being US\$71.00 per pound of U<sub>3</sub>O<sub>8</sub>; and (ii) 2023 to 2025 Composite Long-Term Base Price Projections in “Uranium Market Outlook – Q1 2022” published by UxC, being US\$52.56 per pound of U<sub>3</sub>O<sub>8</sub>.
2. Inflation multiplier is 1.000 in 2023, 1.035 in 2024 and 1.071 in 2025.
3. Latest spot price indicator available on date of delivery (the “**Latest Spot Price**”) is calculated as the arithmetic average of the latest spot price indicators quoted in “Nuclear Market Review” by TradeTech and “Ux Weekly” by UxC available on the date of delivery.

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

Based on our research, we noted the followings:

- (i) According to UxC website, UxC is one of the nuclear industry’s leading market research and analysis companies that offers a wide range of services spanning the entire nuclear fuel cycle with a special focus on market-related issues. UxC publishes certain publications and reports such as the “Ux Weekly” and the “Market Outlook” reports, and publishing the industry standard “Ux Prices” that are referenced in many fuel contracts.
- (ii) According to TradeTech website, TradeTech is the leading independent provider of uranium prices and nuclear fuel market information and is widely recognised for its expertise in trading activities and its comprehensive knowledge in factors affecting the nuclear fuel cycle globally. TradeTech publishes daily, weekly and monthly uranium market prices and analysis.

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## LETTER FROM GRAM CAPITAL

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- (iii) According to the circular published by CNNC International Limited (Stock code: 2302) (the “**CNNC International**”, together with its subsidiaries, the “**CNNC International Group**”) on 31 May 2022 in relation to, amongst others, certain continuing connected transactions of CNNC International, the selling price of the natural uranium products charged by CNNC International Group (under uranium supply continuing connected transaction) shall be determined on normal commercial terms and with reference to international price indicators published by UxC and TradeTech from time to time.

To safeguard the interest of the Group, the Group will adhere to the internal control measures in respect of the Sale CCT (the “**Sale Internal Control Measures**”) as set out under the sub-section headed “NEW SALES FRAMEWORK AGREEMENT – Internal Control Measures” of the Board Letter.

For our due diligence purpose, we obtained from the Company a list of historical transactions during FY2020 and FY2021 under the Existing Sales Framework Agreement and randomly selected 3 transactions for each year from the list. In respect of each selected transaction, the Company provided (i) invoices and pricing records; and (ii) a set of the Group’s internal approval documents which recorded pricing basis and approvals by various departments and staff as stipulated under the Sale Internal Control Measures. Nothing came to our attention that caused us to believe that the pricing and transactions under the aforementioned documents were not complied with the pricing policies governing the transactions under the Existing Sales Framework Agreement.

With reference to the 2021 Annual Report, the independent non-executive Directors reviewed the Group’s continuing connected transactions (including the historical Sale CCT) for FY2021 and confirmed that such continuing connected transactions (including the historical Sale CCT) were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

With reference to the 2021 Annual Report, the external auditor of the Company also reviewed the Group’s continuing connected transactions (including the historical Sale CCT) for FY2021 and confirmed that such continuing connected transactions (including the historical Sale CCT) (i) have been approved by the Board; (ii) have been entered into in accordance with the relevant agreement governing the transactions; (iii) are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and (iv) have not exceeded the relevant annual caps disclosed in previous announcements.



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## LETTER FROM GRAM CAPITAL

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### Sales Annual Caps

The table below set out (i) the historical transaction amounts of the Existing Sales Framework Agreement; (ii) the previous annual caps of the Existing Sales Framework Agreement for the three years ending 31 December 2022; and (iii) the Sale Annual Caps for the three years ending 31 December 2025:

	<b>For the year ended 31 December 2020 HK\$</b>	<b>For the year ended 31 December 2021 HK\$</b>	<b>For the six months ended 30 June 2022 HK\$</b>
<b>Historical transaction amounts</b>	424,913,120	610,918,144	686,269,515
	<b>For the year ended 31 December 2020 HK\$</b>	<b>For the year ended 31 December 2021 HK\$</b>	<b>For the year ending 31 December 2022 HK\$</b>
<b>Historical annual caps</b>	1,960,000,000	2,035,000,000	2,283,000,000
	<b>For the year ending 31 December 2023 ("FY2023") HK\$</b>	<b>For the year ending 31 December 2024 ("FY2024") HK\$</b>	<b>For the year ending 31 December 2025 ("FY2025") HK\$</b>
<b>Sales Annual Caps</b>	4,092,000,000	4,402,000,000	4,541,000,000

With reference to the Board Letter, the Sales Annual Caps for the three years ending 31 December 2025 were determined based on (i) the Group's increasing capability in supplying natural uranium (the "Supply Capability"); and (ii) future uranium prices forecasted by TradeTech and UxC (the "Future Prices"), details of which are set out under the section headed "Basis of determination of the Sales Annual Caps" of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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We noted that the utilization rates of the historical annual caps for FY2020 and FY2021 were low (i.e. approximately 21.68% for FY2020 and approximately 30.02% for FY2021). Upon our enquiry, the Management advised us that when the Company determining the historical annual caps for the three years ending 31 December 2022, it took into account, amongst others, (i) Semizbay-U's natural uranium supply; and (ii) the expected completion of acquisition of 49% equity interest in Ortalyk (granting off-take rights of Ortalyk's products to the Group) by the Group in FY2020 the earliest, which would enhance the supply capacity of the Group.

Nevertheless, (i) Semizbay-U reduced its supply to the Group for FY2021 due to production reduction; and (ii) the acquisition of 49% equity interest in Ortalyk by the Group was completed in July 2021 and the first batch of Ortalyk's products off-take purchase by the Group took place in November 2021. Accordingly, the utilization rates of the historical annual caps for FY2020 and FY2021 were low.

For our due diligence purpose, we obtained the calculation of the Sales Annual Caps for the three years ending 31 December 2025 (the "**Sales Caps Calculation**"). We noted that the Sales Caps Calculation is based on (a) the expected sale volume according to the expected Supply Capability; and (b) the Future Prices, for each of the three years ending 31 December 2025.

The expected sale volume comprises of (i) Semizbay-U's natural uranium supply; (ii) Ortalyk's natural uranium supply; and (iii) natural uranium supply from potential project/off-take rights to be acquired.

### ***Semizbay-U's natural uranium supply***

With reference to the Company's annual reports for each of the two years ended 31 December 2021 and as advised by the Management, Semizbay-U operates the Semizbay Mine and Irkol Mine. The Group has the rights to off-take 49% of Semizbay-U's annual natural uranium production. Semizbay-U's total natural uranium production for FY2020 reduced to 733 tU (total capacity: 1,200 tU). Nevertheless, based on the foundation of good cooperation between the Group and Semizbay-U for years and active communication, the Group kept its natural uranium off-take amount of 588 tU from Semizbay-U for FY2020. Semizbay-U's total natural uranium production for FY2021 was recovered to 961 tU (total capacity: 1,200 tU) and the Group's corresponding off-take amount was approximately 470 tU. The Management considered that it is possible for Semizbay-U to resume its annual natural production to 1,200 tU in near future and the Group's corresponding annual off-take amount will be 588 tU. Accordingly, the Management adopted expected Semizbay-U's natural uranium supply of 588 tU per annum for the three years ending 31 December 2025 in the Sales Caps Calculation.

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## LETTER FROM GRAM CAPITAL

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### *Ortalyk's natural uranium supply*

As aforementioned, the acquisition of 49% equity interest in Ortalyk (which operates the Central Mynkuduk Mine and Zhalpak Mine) by the Group was completed in July 2021 and the first batch of Ortalyk's products off-take purchase by the Group took place in November 2021. The Group has the rights to off-take 49% of Ortalyk's annual natural uranium production. With reference to the 2021 Annual Report, the Group's corresponding natural uranium off-take amount from Ortalyk was 292 tU for FY2021. As advised by the Management, Ortalyk's natural uranium production designed capacity is 2,500 tU per annum. The corresponding maximum possible off-take amount by the Group is 1,225 tU. The Management expected improvement in the aforesaid Ortalyk's natural uranium production designed capacity. Accordingly, the Management adopted expected Ortalyk's natural uranium supply of 1,200 tU to 1,300 tU per annum for the three years ending 31 December 2025 in the Sales Caps Calculation.

### *Natural uranium supply from potential project/off-take rights to be acquired*

As aforementioned, the Company will continue to seek for potential uranium resource investment opportunities to build a sustainable pipeline of low-cost, high-quality uranium resources to achieve continuity of production capacity and provide nuclear power owners with a sustainable and stable uranium resource. At the same time, the Company will seek to establish strategic cooperative relationships with internationally renowned uranium producers and traders and to explore the feasibility of joint development of uranium projects in various modes.

With reference to the annual production capacity of Semizbay-U and assuming an acquisition of potential project/off-take rights (the "**Potential Acquisition**") of higher capacity as compared to that of Semizbay-U to be completed in FY2023, the Management adopted expected natural uranium supply of 630 tU to 650 tU per annum for the three years ending 31 December 2025, from potential project/off-take rights to be acquired.

### *Future Prices*

With reference to the Board Letter and as confirmed by the Management, the Future Prices adopted in the Sales Caps Calculation were estimated after taking into account the Pricing Formula, whereas the Company adopted long term price projection (high boundary) for FY2023 to FY2025 according to TradeTech for the Latest Spot Price under the Pricing Formula to cover higher possible spot prices in future (UxC's projection represented lower spot prices in future).

Having considered the above, we are of the view that the Sales Annual Caps for the three years ending 31 December 2025 are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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Shareholders should note that as the Sales Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income to be generated from the Sale CCT. Consequently, we express no opinion as to how closely the actual revenue/income to be generated from the Sale CCT will correspond with the Sales Annual Caps.

In light of the above, we are of the view that the terms of the Sale CCT (including the Sales Annual Caps for the three years ending 31 December 2025) are on normal commercial terms and are fair and reasonable.

### **B. THE DEPOSIT CCT**

#### **Reasons for and benefits of the Deposit CCT**

With reference to the Board Letter, the Existing Financial Services Framework Agreement will expire on 31 December 2022. The Group intends to continue with the transactions under the Existing Financial Services Framework Agreement (including the Deposit CCT).

Through years of cooperation, CGN Finance and CGNPC Huasheng have become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and the overall financial administrative system, which enables it to render more expedient, efficient and flexible services to the Group than independent commercial banks and financial institutions. The Group is expected to benefit from CGN Finance's and CGNPC Huasheng's familiarity of the Group's industry and operations while earning interests no less favourable than placing the same with other commercial banks for the same type and term of deposit places with CGN Finance and/or CGNPC Huasheng.

Detailed reasons for and benefits of the Deposit CCT are set out under the section headed "Reasons for and Benefits of the New Financial Services Framework Agreement" of the Board Letter.

Having considered the above, we are of the view that that the Deposit CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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## LETTER FROM GRAM CAPITAL

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### **Principle terms of the Deposit CCT**

Summarised below are the principal terms of the Deposit CCT as contemplated under the New Financial Services Framework Agreement, details of which are set out under the section headed “NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT” of the Board Letter.

#### ***Date***

16 June 2022

#### ***Parties***

The Company, CGN Finance and CGNPC Huasheng

#### ***Term***

1 January 2023 to 31 December 2025

#### ***Subject matter***

PRC Subsidiaries of the Group may set up and maintain RMB and foreign currency deposit accounts with CGN Finance and make deposit. Foreign Subsidiaries of the Group may authorise their accounts at third party commercial banks be linked to the cash pooling master settlement account maintained by CGNPC Huasheng, which allows auto-transfer of cash balance in the account of such Foreign Subsidiaries to the cash pooling master account. The amount transferred to the cash pooling master account constitutes money deposited by the Group with CGNPC Huasheng.

#### ***Pricing mechanism***

The terms and conditions of each deposit, including the amount to be deposited, term of the deposit, the applicable interest rate, interest payment method and time of payment, etc, shall be determined through arm’s length negotiations between (i) the Group and (ii) CGN Finance or CGNPC Huasheng, as the case may be, and recorded in writing at the time of each deposit.

The interest rate of the deposits with CGN Finance shall not be lower than (i) the interest rates for the same type and term of deposit offered by China’s Big-Four Commercial Banks; and (ii) the interest rate for the same type and term of deposit provided by CGN Finance to other PRC subsidiaries of the CGN Group.

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## LETTER FROM GRAM CAPITAL

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The interest rate of the deposits with CGNPC Huasheng shall not be lower than (i) the interest rate for similar deposit offered by CGNPC Huasheng to other members of the CGN Group; and (ii) the interest rates quoted by other independent commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) for similar type of deposit.

To safeguard the interest of the Group, the Group will adhere to the internal control measures in respect of the Deposit CCT (the “**Deposit Internal Control Measures**”) as set out under the sub-section headed “NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT – Internal Control Measures” of the Board Letter.

For our due diligence purpose, we obtained from the Company lists of the deposits placed by the Group with CGN Finance/CGNPC Huasheng during FY2020 and FY2021 and randomly selected 3 deposits for each year from the lists. In respect of each selected deposit, the Company provided deposit slips showing the interest rates on deposit received from CGN Finance/CGNPC Huasheng and record on interest rates comparison with other commercial banks. Nothing came to our attention that caused us to believe that the interest determination under the aforementioned transaction documents was not complied with the basis for determining the interest rates for the Deposit CCT as set out above.

With reference to the 2021 Annual Report, the independent non-executive Directors reviewed the Group’s continuing connected transactions (including the historical Deposit CCT) for FY2021 and confirmed that such continuing connected transactions (including the historical Deposit CCT) were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

With reference to the 2021 Annual Report, the external auditor of the Company also reviewed the Group’s continuing connected transactions (including the historical Deposit CCT) for FY2021 and confirmed that such continuing connected transactions (including the historical Deposit CCT) (i) have been approved by the Board; (ii) have been entered into in accordance with the relevant agreement governing the transactions; (iii) are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group); and (iv) have not exceeded the relevant annual caps disclosed in previous announcements.

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## LETTER FROM GRAM CAPITAL

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### Deposit Annual Caps

The table below set out (i) the historical maximum deposit amounts of the historical Deposit CCT; (ii) the previous annual caps of the historical Deposit CCT for the three years ending 31 December 2022; and (iii) the Deposit Annual Caps for the three years ending 31 December 2025:

	<b>For the year ended 31 December 2020 <i>US\$' million</i></b>	<b>For the year ended 31 December 2021 <i>US\$' million</i></b>	<b>For the six months ended 30 June 2022 <i>US\$' million</i></b>
<b>Historical maximum outstanding balance of deposits (including any outstanding accrued interest)</b>	192	199	205
	<b>For the year ended 31 December 2020 <i>US\$' million</i></b>	<b>For the year ended 31 December 2021 <i>US\$' million</i></b>	<b>For the year ending 31 December 2022 <i>US\$' million</i></b>
<b>Historical annual caps</b>	500	500	300
	<b>For the year ending 31 December 2023 <i>US\$' million</i></b>	<b>For the year ending 31 December 2024 <i>US\$' million</i></b>	<b>For the year ending 31 December 2025 <i>US\$' million</i></b>
<b>The Deposit Annual Caps</b>	700	700	700

With reference to the Board Letter, the Deposit Annual Caps for the three years ending 31 December 2025 were determined with reference to, among others, (i) the historical and estimated cashflow movements and level of deposits of the Group; (ii) the cash balance of the Group; and (iii) the requirements to settle funds with members of CGN Group and/or any other third parties, details of which are set out under the section headed “Basis of determination of the Deposit Annual Caps” of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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We noted that the utilization rates of the historical annual caps for FY2020 and FY2021 were low (i.e. approximately 38.40% for FY2020 and approximately 39.80% for FY2021). Upon our enquiry, the Management advised us that when the Company determining the historical annual caps for the two years ended 31 December 2021, it took into account the funding to be obtained by the Group in anticipation of the acquisition of 49% equity interest in Ortalyk. Nevertheless, as the financing arrangement was more efficient than expected, such funding was not required to be accounted for deposit in CGNPC Huasheng when the Group proceed with completion of the aforesaid acquisition.

We also noted that the historical maximum outstanding balance of deposits (including any outstanding accrued interest) of US\$205 million for the six months ended 30 June 2022 was substantially lower than the Deposit Annual Caps of US\$700 million for the three years ending 31 December 2025.

For our due diligence purpose, we obtained the calculation of the Deposit Annual Caps for the three years ending 31 December 2025 (the “**Deposit Caps Calculation**”).

Under the Deposit Caps Calculation, the following factors were taken into account:

- (i) The expected increasing requirement to settle sums among members of CGN Group taking into consideration of potential increase in sale volume to the CGNPC-URC Group.
- (ii) The possible dividend to be paid by Semizbay-U and Ortalyk to the Group.
- (iii) The funding to be obtained by the Group in anticipation of the Potential Acquisition (the “**Acquisition Funding**”), which were expected to be obtained in FY2023 or FY2024. Once the Acquisition Funding is obtained, it will be deposited before actual utilisation. The Management also expect to re-finance part of the Acquisition Funding in FY2024 or FY2025 which will also require deposit balance under the re-financing arrangement.
- (iv) Possible fund-raising activities.

Based on the Deposit Caps Calculation, the expected maximum deposit balance under the Deposit CCT will be approximately US\$634 million for FY2023. Taking into account a buffer of approximately 10%, the Deposit Annual Caps were set at US\$700 million.



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## LETTER FROM GRAM CAPITAL

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According to the Management and based on the Deposit Caps Calculation, should the Potential Acquisition take place in FY2024, the Group is expected to obtain the Acquisition Funding in FY2024 and re-finance the same in FY2025. As a result, the expected maximum deposit balance under the Deposit CCT will be approximately US\$667 million for FY2024 and approximately US\$675 million for FY2025. The Deposit Annual Caps of US\$700 million are still sufficient to cover the aforesaid balances.

Having considered the above, we are of the view that the Deposit Annual Caps for the three years ending 31 December 2025 are fair and reasonable.

Shareholders should note that as the Deposit Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of cash level of the Group. Consequently, we express no opinion as to how closely the actual cash level of the Group will correspond with the Deposit Annual Caps.

In light of the above, we are of the view that the terms of the Deposit CCT (including the Deposit Annual Caps for the three years ending 31 December 2025) are on normal commercial terms and are fair and reasonable so far.

### **LISTING RULES IMPLICATION**

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Transactions must be restricted by their respective annual caps for the three years ending 31 December 2025; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material aspects, in accordance with the pricing policies of the Group (if applicable); (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) have exceeded their respective annual caps. In the event that the total amount of any of the Transactions is anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for the continuing connected transactions pursuant to the Listing Rules by the Company, we are of the view that there are adequate measures in place to monitor the Transactions (together with their respective annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and fair and reasonable; and (ii) the Transactions are conducted under the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

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

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

\* *For identification purpose only*

## 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the 2019 annual report of the Company (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700617.pdf>) at pages 131-262, 2020 annual report of the Company (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801425.pdf>) at pages 137-278 and 2021 annual report of the Company (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501039.pdf>) at pages 137-282, respectively.

## 2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2022, being the latest practicable date for the purpose of determining this statement of indebtedness prior to printing of this circular, the Group had bank borrowings of US\$50.0 million which were unsecured and guaranteed by the Company and other borrowings of US\$244.3 million which were unsecured and unguaranteed. In addition, the Group had an unutilised borrowing facility of US\$763.3 million which is unsecured and unguaranteed.

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. As at 30 June 2022, the Group had total lease liabilities of approximately US\$391,000.

Save as aforesaid, and apart from intra-Group liabilities, the Group did not have any (a) debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans; (b) borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments; (c) mortgages or charges; or (d) guarantees or other material contingent liabilities as at the close of business on 30 June 2022.

## 3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the effect of the transactions under the New Sales Framework Agreement and the New Financial Services Framework Agreement, the business prospects, the internal resources of the Group and the facilities available to the Group, the working capital available to the Group is sufficient for its requirements for at least the next twelve months from the date of this circular.

## 4. FINANCIAL AND TRADING PROSPECTS

### **Business Environment Outlook**

#### *Nuclear power market analysis*

According to the study of Rystad Energy, a Norwegian energy research firm, the total global investment in the nuclear power sector was US\$44 billion in 2021 and is expected to exceed US\$45 billion in 2022, and further increase to US\$46 billion by 2023.

In the beginning of 2022, China's Unit 6 of Fuqing Nuclear Power Station has been connected to the grid for power generation, China's independently developed third-generation nuclear power technology "Hualong One" passed the Generic Design Assessment (GDA) in UK, and China National Nuclear Corporation won the main contract of Unit 3 nuclear power station in Atucha, Argentina. Under the background of firmly promoting "Carbon Dioxide Peaking and Carbon Neutrality" and the full maturity of "Hualong One", it is believed that China's nuclear power development will have unprecedented development opportunities.

On 2 February 2022, the European Commission passed the Complementary Delegated Act ("CDA") with overwhelming support to include nuclear power in the green taxonomy, indicating that the EU recognises the important contribution of nuclear power to decarbonization and that nuclear power projects are consistent with the EU's sustainability goals. The adoption of the CDA means that in Europe as a whole, the support for nuclear power has increased significantly. In addition, in the face of the widespread risk of decommissioning conventional nuclear power units, governments and companies in North America and Europe are investing, in varying degrees, in small modular advanced reactors, research and development of nuclear energy for heating, hydrogen production and other applications, and reforming the financing model for nuclear power in order to realise the comprehensive application of nuclear power in energy applications on one hand; and transforming and upgrading conventional nuclear power reactor system to extend the life of nuclear power units to 60 years or even 80 years, resulting nuclear power having a stronger competitive cost advantage over thermal power, wind power, solar power and other energy sources on the other hand.

On 30 March 2022, India announced the construction of 10 new nuclear power plants from 2023; on 6 April 2022, the United Kingdom announced its plan to build a new nuclear power unit every year between 2023 and 2030 to achieve energy independence and cope with rising energy prices; on 3 May 2022, the Presidential Transition Council of the Republic of Korea announced the permission of resumption of construction of units 3 and 4 of Shin-Hanul Nuclear Power Plant, extending the service life of the nuclear power plant, and its plan to export 10 nuclear power units by 2030; and on 27 May 2022, Japan announced acceleration of restart of nuclear power and Czech Republic approved the extension of life of Temelin unit 2 for 40 years.

On 20 April 2022, three new nuclear power unit projects were approved in the PRC, namely Zhejiang Sanmen phase II, Shandong Haiyang phase II and Guangdong Lufeng. A total of 20 new units have been approved since the restart of construction of nuclear power units in 2019.

Nuclear energy has the advantages of being unaffected by global climate change, high capacity factor, efficient and stable power generation, and low carbon, which can effectively complement the shortcomings of other new energy sources such as wind and solar power. According to the forecast of UxC, global nuclear power capacity in operation will reach 512GWe by 2035, representing an increase of 15% as compared to the end of 2021.

*Natural uranium market analysis*

In January 2022, Kazakhstan declared a state of emergency following a short-term unrest caused by an increase in the price of liquefied natural gas. Although this incident did not affect the production and product delivery of the uranium mining enterprises of Kazatomprom, the market is more strongly aware of the concentration on the supply side of the natural uranium industry, and this feature will not change significantly in the short and medium term.

Following the Fukushima Daiichi accident, uranium prices were chronically low and no new long-term contracts were signed for a long time, with power plant owners procuring in the spot market to meet demand not covered by long-term contracts, while most natural uranium producers supported their sales with long-term contracts signed prior to the Fukushima Daiichi accident. In February 2022, Cameco Corporation stated in its quarterly results release that it had added 27,000tU of new long term contracts and decided to restart the production of the McArthur River uranium mine to meet future contract deliveries. In addition, Kazatomprom announced, in its quarterly operating report in January 2021, that it would develop mines 6 and 7 of the Budenovskoye uranium mine to meet requirements under contracts with Russia. The signing of new long-term contracts represents long-term demand from nuclear power plant owners, stimulated by the increase in spot uranium prices, gradually surfaces and the fundamental of the natural uranium market is improving, which brings real recovery momentum to the natural uranium market.

Meanwhile, procurement of Sprott in 2021 proved that secondary demand formed by financial investors will play an important role in the current round of rebound of spot natural uranium prices, and it is worth noting that the current strategy of financial investors is to hold for a long term with no plan to reduce their holdings in the short term.

In summary, the natural uranium market is expected to continue its recovery in 2022.

**Business Development Outlook***Operation of Semizbay-U*

According to the production plan of Kazatomprom, Semizbay-U plans to reduce production by 20% in 2022. The Company will actively participate in the governance of Semizbay-U through its board of directors to ensure that Semizbay-U completes its annual production plan and product sales tasks and achieves its annual profit target. The production completion rate of Semizbay-U in the first quarter of 2022 was 100.9% and the despatched team will strengthen the supervision on the implementation of annual production and operation plan and annual budget to ensure the enterprise accomplishing its operational goals with safe production. In preparation for increasing the reserve level of Semizbay-U and its sustainable development, Semizbay-U will continue to promote evaluation of available resources in no.4 ore body and re-estimation of the geological reserves of Semizbay Mine in 2022.

***Operation of Ortalyk***

In 2022, the Company will participate in the governance of Ortalyk through its board of directors to ensure Central Mynkuduk Deposit completes its annual production plan and product sales tasks and achieves its annual profit target on one hand; and the mine construction plan and pre-construction preparatory work of Zhalpak Deposit are completed in a high quality manner on the other hand. The despatched team will actively participate in the production and operation management of the mine, inspect and supervise the implementation of the annual production and operation plan and annual budget, to ensure the enterprise completing the annual operation targets with safe production and efficient operation. The production completion rate of Ortalyk in the first quarter of 2022 was 112.6%.

***Management and Control on Fission***

In respect of Fission, the Company mainly relies on participation in its board of directors to involve in its major decision-making and exert influence, while continuously deepening the technical support to the PLS project and enhancing regular technical exchange. In 2022, the Company will support Fission in completing the winter and summer explorations as scheduled and its work in upgrading part of the R780E and R840W sections of the PLS project from inferred level to indicated level, so as to extend the designed life of the mine. The Company also plans to hire a local technical personnel to participate in the field work of Fission in Canada to increase technical management on PLS project and enhance collaboration efficiency.

***Active Expansion of Trading Business***

The Group will strengthen its business dealings with end customers, such as global nuclear power plants owners, actively participate in international market bidding, deepen its analysis of market conditions and counterparties' behaviors, seize market opportunities, develop new business models and actively explore new trading opportunities to ensure the achievement of annual trade target.

***Acquisition of New Uranium Resources Projects***

The Company is optimistic about the continuous growing trend of natural uranium demand brought by the long-term stable development of global nuclear power. The Company will seize this historical opportunity and continue to seek for potential uranium resource investment opportunities to build a sustainable pipeline of low-cost, high-quality uranium resources to achieve continuity of production capacity and provide nuclear power owners with a continuous and stable uranium resource. At the same time, the Company will seek to establish strategic cooperative relationships with internationally renowned uranium producers and traders and to explore the feasibility of joint development of uranium projects in various modes.

*Implementing equity incentive policy*

In order to improve the medium and long-term incentive and restraint mechanism of the Company, to form a benefit-sharing and risk-sharing mechanism among Shareholders, the Company and employees, to fully mobilize the enthusiasm of the Company's senior and middle management staff and core staff, and to realize the joint development of the Company and employees, the Company will actively explore medium and long-term incentive plans such as share options continuously.

**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****(a) Interests of Directors and chief executives of the Company**

As at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* in the Listing Rules.

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).



**(b) Substantial Shareholders' and other Shareholders' interests**

As at the Latest Practicable Date, save as disclosed below, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or chief executive of the Company, no other person, other than a Director or chief executive of the Company, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10 per cent (10%) or more of the issued voting shares of any other member of the Group or any option in respect of such securities:

Name of Substantial Shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding (Note 1)
CGNPC <sup>2, 3, 4, 5</sup>	Interest in a controlled corporation	4,409,102,558(L)	58.01%(L)
CGNPC-URC <sup>2, 4, 6</sup>	Interest in a controlled corporation	4,288,695,652(L)	56.43%(L)
China Uranium Development <sup>4</sup>	Beneficial owner	4,288,695,652(L)	56.43%(L)
China Chengtong Holdings Group Ltd. <sup>7</sup> (中國誠通控股集團有限公司)	Interest in a controlled corporation	759,300,000 (L)	9.99% (L)
The China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.* <sup>7</sup> (中國國有企業混合所有制改革基金有限公司)	Interest in a controlled corporation	759,300,000 (L)	9.99% (L)
Chengda Holding Limited (誠達控股有限公司)	Beneficial owner	759,300,000 (L)	9.99% (L)

*Notes:*

1. The letter “L” denotes long position.
2. CGNPC held the entire equity interest of CGNPC-URC, and CGNPC-URC held the entire issued share capital of China Uranium Development. Accordingly, each of CGNPC and CGNPC-URC was deemed to be interested in the interest held by China Uranium Development.
3. CGNPC was also interested in 120,406,906 Shares held by its other wholly-owned subsidiaries.
4. The long position included (i) 4,278,695,652 Shares held by China Uranium Development; and (ii) the interests in 10,000,000 Shares pledged by a third party.
5. Mr. Yin Xiong and Mr. Sun Xu, non-executive Directors, are also employees of CGNPC.
6. Mr. Yin Xiong and Mr. Sun Xu, non-executive Directors, and Mr. An Junjing, executive Director, are also directors of CGNPC-URC. Mr. An Junjing and Ms. Xu Junmei, executive Directors, are also employees of CGNPC-URC.
7. Chengda Holding Limited is wholly-owned by The China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (the “**Mixed-ownership Reform Fund**”), which is owned as to 33.95% by China Chengtong Holdings Group Ltd. Accordingly, each of China Chengtong Holdings Group Ltd. and the Mixed-ownership Reform Fund is deemed to be interested in the interest held by Chengda Holding Limited.

### 3. DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any Director is materially interested and which is significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which have been, since 31 December 2021, the date of which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### 4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### 5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had an interest in a business which competes or is likely to compete with the business of the Group.

## 7. EXPERT AND CONSENT

The following is the qualification(s) of the expert who has been named in this circular or has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2021, the date to which the latest audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which they are included.

## 8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited accounts of the Company were made up, up to and including the Latest Practicable Date.

## 9. MISCELLANEOUS

- (a) The joint company secretaries of the Company are (i) Mr. She Dong, holder of professional qualification in law of the PRC and (ii) Ms. Lai Siu Kuen, fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business of the Company in Hong Kong is Room 1903, 19/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular which are or may be material to the operations of the Group:

- (i) the *Agreement for Further Expanding and Deepening Mutually Beneficial Cooperation in Nuclear Energy Field* dated 22 April 2021 entered into between, Joint Stock Company "National Atomic Company "Kazatomprom", Joint Stock Company "Ulba Metallurgical Plant", CGNPC, CGNPC-URC, the Company, CGNM UK Limited and Beijing Sino-Kazakh Uranium Resources Investment Company Limited\* (北京中哈鈾資源投資有限公司) in relation to the cooperation among the parties for development of one or more uranium deposits in Kazakhstan and constructing and managing a facility for fabrication of fuel assemblies; and
- (ii) the *Sale and Purchase Agreement in relation to the Participatory Interest in the charter capital of Mining Company "ORTALYK" LLP* dated 22 April 2021 entered into between Joint Stock Company "National Atomic Company "Kazatomprom" and CGNM UK Limited in relation to the acquisition of 49% equity interest in Ortalyk by CGNM UK Limited from Joint Stock Company "National Atomic Company "Kazatomprom" at the consideration of US\$ 435,071,181.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on both the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.cgnmc.com](http://www.cgnmc.com)) for a period of 14 days from the date of this circular:

- (a) the New Sales Framework Agreement;
- (b) the New Financial Services Framework Agreement;
- (c) the letter from Gram Capital, the text of which is set out on pages 30 to 48 of this circular; and
- (d) the consent letter from Gram Capital referred to in the paragraph headed "Expert and Consent" in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of CGN Mining Company Limited (the “**Company**”) will be held at Conference Room 3001, 30/F, Tower A, International Centre of Times, 101 Shaoyaoju Beili, Chaoyang District, Beijing City, PRC on 15 September 2022 (Thursday) at 10:00 a.m for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the framework agreement dated 16 June 2022 (the “**New Sales Framework Agreement**”) entered into between the Company and CGNPC Uranium Resources Co., Ltd\* (中廣核鈾業發展有限公司), a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification, the terms and conditions therein, the transactions contemplated thereunder and the proposed annual cap amounts of HK\$4,092,000,000 for the year ending 31 December 2023, HK\$4,402,000,000 for the year ending 31 December 2024 and HK\$4,541,000,000 for the year ending 31 December 2025 be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors be authorised for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the New Sales Framework Agreement and to waive compliance with or make and agree such variations of a non-material nature to any of the terms of the New Sales Framework Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company and all the director’s acts as aforesaid be hereby approved, ratified and confirmed.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. “**THAT**

- (a) the financial services framework agreement dated 16 June 2022 (the “**New Financial Services Framework Agreement**”) entered into between (i) the Company, (ii) CGN Finance Co., Ltd\* (中廣核財務有限責任公司) and (iii) CGNPC Huasheng Investment Limited, a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification, the terms and conditions therein, the transactions contemplated thereunder and the proposed cap amount on outstanding balance of deposits (including any outstanding accrued interest) of US\$700 million during anytime in each of the three years ending 31 December 2023, 2024 and 2025 be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors be authorised for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the New Financial Services Framework Agreement and to waive compliance with or make and agree such variations of a non-material nature to any of the terms of the New Financial Services Framework Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company and all the director’s acts as aforesaid be hereby approved, ratified and confirmed.”

3. To re-elect Mr. Liu Guanhua as a non-executive director of the Company.

By Order of the Board  
**CGN Mining Company Limited**  
**An Junjing**  
*Chairman*

Hong Kong, 19 August 2022

*Registered office:*  
Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*  
Room 1903, 19/F  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

*Notes:*

1. Alternate arrangement for attending the EGM

To facilitate shareholders attending the EGM, electronic facilities will be set up at Room 1903, 19/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (the “**Hong Kong Venue**”) where shareholders or his/her/its proxies may participate in the EGM and communicate with other participants of the EGM simultaneously and instantaneously through such electronic facilities. Pursuant to the articles of association of the Company, such participation shall constitute presence in person at the EGM. Shareholders and/or his/her/its proxies attending the Hong Kong Venue may also cast their votes in person in the Hong Kong Venue.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. Precautionary measures in relation to COVID-19

In view of the ongoing coronavirus disease (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, proxies of shareholders, staff and stakeholders from the risk of infection including, without limitation:

- (1) Compulsory temperature check
- (2) Compulsory wearing of surgical face mask
- (3) No refreshment will be served

Shareholders and/or their proxies are also reminded to comply with the anti-pandemic requirements and measures imposed by the relevant authorities in Beijing and Hong Kong, as the case may be. Any person who does not wear a surgical face mask, not accept temperature check, with a body temperature above 37.2 degree Celsius or fails to comply with the applicable anti-pandemic requirements and measures may be denied entry into the EGM venue and the Hong Kong Venue.

The Company strongly encourages shareholders NOT to attend the EGM in person, and advises shareholders to appoint the chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. In any event, should shareholders intend to attend the EGM, shareholders and/or their proxies are advised to arrive the venue early to allow sufficient time for completing the precautionary procedures. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

3. To determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 9 September 2022 (Friday) to 15 September 2022 (Thursday), both days inclusive, during which period no transfer of shares in the Company can be effected. In order to be eligible to attend and vote at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on 8 September 2022 (Thursday).
4. A shareholder entitled to attend and vote at the EGM is entitled to appoint proxy to attend and to vote in his/her/its place. A proxy need not be a shareholder of the Company, but must attend the EGM in person to represent the shareholder. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote on his/her/its behalf. If more than one proxy is so appointed, a photocopy of the form of proxy may be used and the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
5. In order to be valid, the form of proxy together with a power of attorney or other authority, if applicable, under which it is signed (or a notarially certified copy of that power of attorney or authority) must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
6. Delivery of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. In the case of joint holders of share(s), any one of such joint holders may vote, either in person or by proxy, in respect of such share(s) as if he/she/its was solely entitled thereto; but if more than one of such joint holders (whether in person or by proxy) are present at the EGM, 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 holder(s). 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.
8. If Typhoon Signal No. 8 or above or a "black" rainstorm warning is in effect or extreme conditions caused by typhoons persists in Hong Kong any time between 7:00 a.m. and the time appointed for holding the EGM (being 10:00 a.m.) on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at [www.cgnmc.com](http://www.cgnmc.com) and on the HKExnews website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the date, time and venue of the rescheduled meeting.

*As at the date of this notice, the Board comprises two executive Directors: Mr. An Junjing (chairman and chief executive officer) and Ms. Xu Junmei, three non-executive Directors: Mr. Sun Xu, Mr. Yin Xiong and Mr. Liu Guanhua, and three independent non-executive Directors: Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis.*