
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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 transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**(1) CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT;
(2) MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT;
(3) CONNECTED TRANSACTION:
SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 7 to 30 of this circular.

A letter from the Independent Board Committee is set out on pages 31 to 32 of this circular.

A letter from Gram Capital, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 52 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at 10:30 a.m. on 27 September 2019 (Friday) at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 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 the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such case the instrument appointing the proxy shall be deemed to be revoked.

* For identification purpose only

9 September 2019

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DEFINITIONS

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
“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 subsidiary of CGNPC
“CGN Group”	CGNPC and its subsidiaries
“CGN GU”	CGN Global Uranium Limited, a company incorporated under the laws of England and Wales and a subsidiary of the Company
“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 holder of approximately 64.82% 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

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts)
“Existing Domestic Financial Services Framework Agreement”	the financial services framework agreement dated 5 September 2017 entered into between the Company and CGN Finance in relation to the provision of certain financial services by CGN Finance to the Group in the PRC
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 6 December 2016 entered into between the Company and CGNPC Huasheng in relation to the provision of certain financial services by CGNPC Huasheng to the Group outside the PRC
“Existing Framework Agreements”	collectively, the Existing Domestic Financial Services Framework Agreement, the Existing Financial Services Framework Agreement and the Existing Sales Framework Agreement
“Existing Sales Framework Agreement”	the sales framework agreement dated 6 December 2016 entered into between the Company and CGNPC-URC in relation to the sale of natural uranium concentrates by the Group to the CGNPC-URC Group
“Fission”	Fission Uranium Corp., a Canadian-based resource company whose ordinary shares are listed on the Toronto Stock Exchange under the symbol “FCU”, the OTCQX market place in the U.S. under the symbol “FCUUF” and on the Frankfurt Stock Exchange under the symbol “2FU”
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

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“Husab Uranium Concentrates”	natural uranium concentrates extracted from the Husab mine in Namibia
“Independent Board Committee”	the independent committee of the Board, consisting of all the independent non-executive Directors, established to advise the Independent Shareholders on the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts)
“Independent Shareholders”	Shareholders other than the CGN Group 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
“Latest Practicable Date”	4 September 2019, 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
“Master Agreement”	the master agreement dated 13 June 2016 entered into between CGN GU and Swakop in relation to the sale of Husab Uranium Concentrates by Swakop to CGN GU
“natural uranium”	uranium ore concentrates in the form of U3O8
“New Financial Services Framework Agreement”	the financial services framework agreement dated 14 June 2019 entered into between the Company, CGN Finance and CGNPC Huasheng as further described in the paragraph headed “B. New Financial Services Framework Agreement” in this circular

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“New Framework Agreements”	collectively, the New Sales Framework Agreement and the New Financial Services Framework Agreement
“New Kazakhstan Uranium Project”	the acquisition of not more than 49% interest in new uranium mines in central Mynkuduk and Zhalpak in Kazakhstan through the acquisition of a corresponding equity interest in its holding company
“New Sales Framework Agreement”	the framework agreement dated 14 June 2019 and entered into between the Company and CGNPC-URC as further described in the paragraph headed “A. New Sales Framework Agreement” in the Letter from the Board of this circular
“PBOC”	The People’s Bank of China
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Cap Amounts”	collectively, the Proposed Deposit Annual Cap Amounts and the Proposed Sales Annual Cap Amounts
“Proposed Deposit Annual Cap Amounts”	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 2022
“Proposed Sales Annual Cap Amounts”	the maximum annual transaction amount authorised to be carried out under the New Sales Framework Agreement for each of the three years ending 31 December 2022
“Proposed Settlement Service Fees Annual Cap Amounts”	the maximum aggregate annual amount of settlement service fees authorised to be paid by the Group to CGN Finance and CGNPC Huasheng for each of the three years ending 31 December 2022

DEFINITIONS

“Quantity Adjustment Right”	the right to increase or decrease the amount of Husab Uranium Concentrates purchased by CGN GU under the Sales and Purchase Agreement of Husab Uranium Concentrates as further described under the paragraph headed “C. Sales and Purchase Agreement of Husab Uranium Concentrates – Major Terms of the Sales and Purchase Agreement of Husab Uranium Concentrates – Subject matter” in the Letter of the Board of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Purchase Agreement of Husab Uranium Concentrates”	the agreement dated 14 June 2019 entered into between CGN GU and Swakop in relation to the sale of Husab Uranium Concentrates, subject to the provisions of the Master Agreement
“Semizbay-U”	Semizbay-U Limited Liability Partnership, a limited liability partnership established in Kazakhstan with the Company holding 49% of its equity interest
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Swakop”	Swakop Uranium (PTY) Limited, a company incorporated in Namibia and a subsidiary of CGNPC-URC
“TradeTech”	TradeTech of Denver Tech Centre, 7887 E. Belleview Avenue, Suite 888, Englewood, CO 80111, USA
“Uranium Concentrates Sales Agreement”	the uranium concentrate sales agreement entered into between CGN GU and its independent third party customer as further described under the paragraph headed “C. The Sales and Purchase Agreement of Husab Uranium Concentrates – Basis of Determination of the Consideration and the Purchase Quantity” in the Letter from the Board of this circular

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the United States of America
“UxC”	UxC, LLC
“%”	per cent

LETTER FROM THE BOARD



中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01164)

Executive Directors:

Mr. An Junjing (*chief executive officer*)

Mr. Chen Deshao

Non-executive Directors:

Mr. Yu Zhiping (*chairman*)

Mr. Sun Xu

Mr. Yin Xiong

Independent Non-executive Directors:

Mr. Qiu Xianhong

Mr. Gao Pei Ji

Mr. Lee Kwok Tung Louis

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman 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

9 September 2019

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT;
(2) MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT;
(3) CONNECTED TRANSACTION:
SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 14 June 2019, whereby it was announced that the Company entered into the New Framework Agreements for the term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) and CGN GU, a wholly-owned subsidiary of the Group, entered into the Sales and Purchase Agreement of Husab Uranium Concentrates on 14 June 2019 (after trading hours).

* For identification purpose only

LETTER FROM THE BOARD

The Company entered into (i) the Existing Sales Framework Agreement with CGNPC-URC on 6 December 2016; (ii) the Existing Financial Services Framework Agreement with CGNPC Huasheng on 6 December 2016; and (iii) the Existing Domestic Financial Services Framework Agreement with CGN Finance on 5 September 2017. The aforementioned Existing Framework Agreements will expire on 31 December 2019. As the Group intends to continue to carry out the continuing connected transactions under the Existing Framework Agreements after 31 December 2019, the Company entered into the New Framework Agreements.

In addition, the Company intends to procure Husab Uranium Concentrates from Swakop in order for the Group to fulfill its sales commitment to its independent third party customer and entered into the Sales and Purchase Agreement of Husab Uranium Concentrates.

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 Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates; (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.

A. NEW SALES FRAMEWORK AGREEMENT

Major terms of the New Sales Framework Agreement

The major terms of the New Sales Framework Agreement and related information are as follows:

Date

14 June 2019

Parties

- (1) The Company; and
- (2) CGNPC-URC.

Subject matter

Subject to the Proposed Sales Annual Cap Amount, CGNPC-URC Group shall purchase natural uranium from the Group where the relevant members of the Group and CGNPC-URC Group shall enter into individual agreements setting out the details and terms of each purchase.

In addition, the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group.

LETTER FROM THE BOARD

Condition precedent

The New Sales Framework Agreement and the transactions contemplated thereunder are conditional on the approval by the Independent Shareholders at the EGM.

Term

1 January 2020 to 31 December 2022

Pricing and payment terms

The per pound price of natural uranium shall be determined by arm's length negotiations between the relevant members of the Group and the CGNPC-URC Group on normal commercial terms with reference to the arithmetic average prices of the long-term price indicators published by UxC and TradeTech in the second month prior to the delivery month, subject to a floor price and a ceiling price.

The floor price equals to the sum of (i) 50% of the arithmetic average prices of long-term price indicator published by UxC and TradeTech at the signing date of the off-take contract between the Group and CGNPC-URC Group plus a 3.8% markup; and (ii) 50% of the arithmetic average prices of the spot price indicator published by UxC and TradeTech in the second month prior to the delivery month.

The formula below illustrates how the floor price is calculated:

$$\text{Floor Price} = \text{SP} \times 50\% + \text{BP} \times 1.038^n \times 50\%$$

Key:

SP means the spot price of natural uranium calculated by the arithmetic average of the spot price indicators published by UxC and TradeTech in the second month prior to the month of delivery

BP means the base price of natural uranium calculated by the arithmetic average of the long-term price indicators published by UxC and TradeTech at the signing date of the off-take contract

n means the year of delivery minus the year of the off-take contract

The above formula was determined to allow an even consideration of the natural uranium price as at (i) entering into of the off-take contract (including a 3.8% mark up to take into consideration the inflation effect elaborated below) and (ii) delivery, when determining the floor price. The 3.8% markup was determined with reference to the

LETTER FROM THE BOARD

same amount of markup under the Existing Sales Framework Agreement and the inflation rate to allow the long-term price indicator factor taking into consideration of the inflation between the year of delivery and the year of the off-take contract.

The ceiling price is to be negotiated and agreed by the parties based on the principle of good faith and fairness and taking into account (i) the then prevailing selling price of third party suppliers to their major customers in the industry; (ii) affordability of nuclear power plant owners; (iii) different pricing mechanisms in the industry; and (iv) the long-term and sustainable business relationship with CGNPC-URC Group, with an aim to achieve a fair sharing of profits and risks.

Save as otherwise mutually agreed by the Company and CGNPC-URC in writing, the consideration of natural uranium being purchased shall be settled by CGNPC-URC Group via wire transfer within 30 calendar days upon completion of each delivery or a date to be 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 and (ii) the 30 calendar-day credit period offered by the Group to its independent nuclear power plant operator (or their affiliated companies) customers. The Group will closely enforce the aforementioned payment terms prescribed under the New Sales Framework Agreement.

Non-exclusivity

The New Sales Framework Agreement does not prohibit the Group to sell uranium concentrates to any other third parties.

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 *Market Outlook* reports on the enrichment, conversion and fabrication of uranium, nuclear power as well as publishing the industry standard Ux Prices, which are used as references in many fuel contracts. In addition, UxC also provides custom consulting services and prepares special reports on various topics, as well as provides data services, such as nuclear fuel price indicator reporting, including support for the New York Mercantile Exchange (NYMEX) uranium futures contract.

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

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

Historical annual cap and transaction amounts

The historical annual cap amounts for the three years ending 31 December 2019 and the historical transaction amounts for the two years ended 31 December 2018 and the six months ended 30 June 2019 under the Existing Sales Framework Agreement are as follows:

Historical annual cap amounts		
For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
HK\$752,000,000	HK\$2,520,000,000	HK\$2,620,000,000

Historical transaction amounts		
For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
HK\$370,720,000	HK\$359,916,000	HK\$231,185,000

Proposed Sales Annual Cap Amounts

The Proposed Sales Annual Cap Amounts for the three years ending 31 December 2022 are as follows:

Proposed Sales Annual Cap Amounts		
For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
HK\$1,960,000,000	HK\$2,035,000,000	HK\$2,283,000,000

LETTER FROM THE BOARD

The Proposed Sales Annual Cap Amounts were determined taking into account of the following factors:

(i) *Demand of Chinese nuclear power plant*

Development of global nuclear power slowed down after the Fukushima accident and approval of new units in the PRC has also slowed down, but the PRC remains a key driver of global nuclear power development. As nuclear power is still an irreplaceable clean energy, uranium demand of Chinese nuclear power plant is expected to continue to increase steadily and the CGN Group will be able to purchase the additional supply of natural uranium described in (ii) below.

(ii) *The Group's capability of exploring and supplying natural uranium*

As the Group's supply of natural uranium could only satisfy a small portion of the demand on uranium of the CGN Group, the Board believes that following the implementation of the Group's development strategy in acquiring high-quality uranium mines, such as the New Kazakhstan Uranium Project, the sale volume by the Group to the CGN Group will be increased.

In particular, based on the preliminary due diligence results, the aggregate designed annual production capacity of the two mines under the New Kazakhstan Uranium Project were 2,500 tons of uranium and the Group intends to acquire not more than 49% interest in the two aforementioned mines, including a proportionate off-take right to 49% of their uranium products. Upon completion of such acquisition, if materialise, the annual output capacity of the Group's self-owned uranium mine will be increased to approximately three times of its actual output capacity during the year ended 31 December 2018.

(iii) *TradeTech's and UxC's long term price predictions*

Based on the 2019 first quarter issue of *Uranium Market Outlook* published by UxC and the 2019 first issue of *Uranium Market Study* published by TradeTech, it is predicted that the long term price indicator published by UxC and TradeTech will be on an increasing trend in the coming three years, details of which are as follows:

	2020	2021	2022
	<i>US\$ per pound</i>	<i>US\$ per pound</i>	<i>US\$ per pound</i>
TradeTech	44.00	48.00	53.00
UxC	36.26	38.36	39.47
Average	40.13	43.18	46.24

The above predicted 2020 long term price indicators of US\$40.13 per pound represented more than 30% increase from the actual average selling price of the Group for the year ended 31 December 2018.

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In addition, the natural uranium selling price may also be subject to fluctuations within the year which would in turn affect the transaction amount under the New Sales Framework Agreement. During the year ended 31 December 2018, the difference between the highest and lowest long term price indicators of natural uranium was more than 30%.

Internal Control Measures for the New Sales Framework Agreement

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 shall 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 recommended for approval by the chief executive officer;
- (ii) the 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 arithmetic average price of the long-term price indicators published by UxC and TradeTech in the second month prior to the delivery month (i.e. in accordance with the pricing mechanism under the New Sales Framework Agreement) and above or equal to the floor price before submitting the price of each delivery for approval by the chief executive officer;
- (iii) the designated staff from the finance department of the Group will closely monitor the total transaction amount to ensure that the Proposed Sales Annual Cap Amounts 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 2019. The Group intends to continue with 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

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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 (other than the independent non-executive Directors whose views are expressed in the Letter from the Independent Board Committee) 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 Proposed Sales Annual Cap Amounts are fair and reasonable.

Information on the Natural Uranium Trading Business of the Group

The Group is principally engaged in investment and trading of natural uranium resources with a view to be one of the top suppliers of natural uranium resources for nuclear power plants. The Group sources natural uranium resources from third party suppliers as well as uranium mines that the Group is interested in and sell such products to nuclear plant owners, nuclear fuel manufacturers and trading entities.

Self-owned natural uranium mines

As at the Latest Practicable Date, the Group is interested in two uranium mining projects, namely the Semizbay-U and the Fission.

The Group owned 49% interest in Semizbay-U which in turn owned the entire interest in two natural uranium mines in Irkol and Semizbay in Kazakhstan. The Group has the right to purchase 49% of Semizbay-U's total production of natural uranium at 2% discount to the prevailing spot price.

The Group is also interested in 19.89% of the equity interest in Fission which owns the entire interest of a mining project in the south west margin of Saskatchewan's Athabasca Basin in Canada, a world-renowned location with rich high-grade uranium ore. The mining project is at the exploration stage and no products were produced as at the Latest Practicable Date.

The Group is also exploring the possibility and commercial feasibility in acquiring interests in other natural uranium mine, such as the acquisition of interest in two mines in central Mynkuduk and Zhalpak in Kazakhstan under the New Kazakhstan Uranium Project. For further details of the self-owned natural uranium resources of the Group, please refer to the 2018 Annual Report of the Company.

Sale of natural uranium

For the year ended 31 December 2018, CGNPC-URC Group was the largest customer of the Group and the revenue generated from sale of natural uranium to the CGNPC-URC Group represented approximately 99.41% of our total revenue. With a

LETTER FROM THE BOARD

view to broaden the Group's overseas natural uranium marketing channel, the Group completed the acquisition of the entire equity interest of CGN GU, a company principally engaged in trading of natural uranium in the international market, including the distribution of natural uranium products produced by Swakop, on 17 January 2019. For details, please refer to the circular and announcement of the Company dated 27 December 2018 and 17 January 2019, respectively. On a pro forma basis, assuming the acquisition had completed on 1 January 2018, the revenue contributed by the CGN Group would represent 33.82% of the Group's total revenue for the year ended 31 December 2018.

Following the completion of the acquisition of CGN GU, the Group intends to expand its customer base by expanding its overseas sale channels while at the same time increasing its sales to the CGNPC-URC Group with a view to enhance the value of the Company.

Relationship with the CGNPC-URC Group

Reasons for the CGNPC-URC Group to purchase from the Group

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

- (i) the Group has the off-take right to the products of Semizbay-U which provides 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.

Risks of reliance on CGN Group

For the year ended 31 December 2018, our sales of natural uranium to the CGNPC-URC Group amounted to approximately HK\$359.9 million, representing approximately 99.41% of our total revenue. For further details, please refer to the paragraph headed "Information on the natural uranium trading business of the Group – Sale of natural uranium" above in this circular.

If there is a reduction of the amount of natural uranium purchased from the Group by the CGNPC-URC Group due to the delay or cancellation of nuclear power plant projects or any other reasons; or there is a failure or inability of CGNPC-URC Group to make timely payment to the Group, the Group's results of operations and financial position may be adversely affected.

LETTER FROM THE BOARD

With a view to reduce reliance on the CGN Group, our Group acquired the entire equity interest of CGN GU, a company principally engaged in trading of natural uranium in the international market with its current customers being third parties independent of the CGN Group. As disclosed in the paragraph headed “Information on the Natural Uranium Trading Business of the Group – Sale of natural uranium” above, assuming the acquisition of CGN GU had completed on 1 January 2018, the revenue contributed by the CGN Group would be reduced to representing 33.82% of the Group’s total revenue for the year ended 31 December 2018. The Group will continue to expand its overseas sale channels while at the same time develop its business with the CGN Group to mitigate the risks of reliance on CGN Group.

B. NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

Major terms of the New Financial Services Framework Agreement

The major terms of the New Financial Services Framework Agreement and related information are as follows:

Date

14 June 2019

Parties

- (1) The Company;
- (2) CGN Finance; and
- (3) CGNPC Huasheng.

Subject matters

- (i) Placement of deposits

The Group shall set up and maintain RMB and foreign currency deposit accounts with CGN Finance and deposit in compliance with the applicable laws and regulatory requirements. Cash deposited by the Group into the account at CGN Finance from time to time shall constitute money deposited by the Group with CGN Finance.

The Group shall also authorise the Group’s accounts at third party commercial banks outside the PRC to be linked as a participant account to a cash pooling master settlement account maintained by CGNPC Huasheng, which allows auto-transfer of cash balance in the Group’s participating accounts to the cash pooling master account. The sums transferred to the cash pooling master account constitute money deposited by the Group with CGNPC Huasheng.

LETTER FROM THE BOARD

The terms and conditions of such deposits shall be determined after arm's length negotiations between (i) the Group and (ii) CGN Finance or CGNPC Huasheng, as the case may be, including the amount to be deposited, term of the deposit, the applicable interest rate, interest payment method and time of payment, etc, which shall be determined upon each deposits.

The interest rate payable by CGN Finance to the Group 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 to the Group; and (ii) the interest rate for the same type and term of deposit provided by CGN Finance to the other PRC subsidiaries of the CGN Group.

The interest rate payable by CGNPC Huasheng to the Group shall be equal to or higher than (i) the interest rate for similar type of deposit offered by CGNPC Huasheng to other members of the CGN Group; and (ii) the interest rates for similar type of deposit as 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) from time to time.

(ii) Settlement services

CGN Finance and CGNPC Huasheng may provide settlement and similar services to the Group from time to time in compliance with the applicable laws and regulatory requirements.

The fees charged by CGN Finance for the provision of settlement services shall be in accordance with the standard fee prescribed by PBOC or China Banking and Insurance Regulatory Commission in respect of such services. If no such standard fee is available, the service fee shall be 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 the other PRC subsidiaries of the CGN Group. The fees charged by CGNPC Huasheng shall be (i) equal to or lower than the fees charged by CGNPC Huasheng for providing similar settlement services to other members of the CGN Group; and (ii) equal to or lower than the settlement and similar service 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) from time to time.

(iii) Loans and other facilities

CGN Finance and CGNPC Huasheng may grant loans and other facilities, including but not limited to loan financing, credit line, bill acceptance, and note discounting services, to the Group from time to time subject to compliance with the applicable laws and regulatory requirements. The terms and conditions of such loans, including the loan amount, term, interest payment method and time of payment, shall be determined after arm's length negotiations between (i) the Group and (ii) CGN Finance or CGNPC Huasheng, as the case may be.

LETTER FROM THE BOARD

The interest rates of such loans and other facilities shall be normal commercial terms and 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 the other members of the CGN Group for the same type of loan in the same period.

CGNPC Huasheng may grant loans and other facilities to the Group that are in the interest of the Group and CGNPC Huasheng and on normal commercial terms (or better to the Group) with no security over the assets of the Group.

Conditions precedent

The New Financial Services Framework Agreement and the transactions contemplated thereunder are conditional on, among others, the following:

- (i) the Group having obtained all necessary consents and approvals in relation to the New Financial Services Framework Agreement and the transactions contemplated thereunder, including the passing of a resolution by the Independent Shareholders at the EGM to approve the New Financial Services Framework Agreement and the transactions contemplated thereunder; and
- (ii) CGN Finance and CGNPC Huasheng having obtained all necessary consents and approvals in relation to the New Financial Services Framework Agreement and the transactions contemplated thereunder.

None of the above conditions can be waived by either party and, save for condition (ii) above, none of the above conditions has been fulfilled as at the Latest Practicable Date. In the event that the above conditions precedent cannot be fulfilled on or before 31 December 2019 (or such other date as the parties to the New Financial Services Framework Agreement may agree), the New Financial Services Framework Agreement shall be terminated.

Term

1 January 2020 to 31 December 2022

Termination

Notwithstanding any provisions contained in the New Financial Services Framework Agreement, 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 of the New Financial Services Framework Agreement, CGN Finance and CGNPC Huasheng shall return all the deposits (whether due or not) together with fees payable and interest accrued thereon to the Group.

LETTER FROM THE BOARD

Annual Cap

Historical deposit annual cap amounts and highest daily deposit

The historical deposit cap amounts with CGN Finance and CGNPC Huasheng (including any interest accrued thereon) from time to time for the three years ending 31 December 2019 are as follows:

Historical Deposit Annual Cap Amount		
For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
US\$220,000,000	US\$480,000,000	US\$480,000,000

The historical highest aggregate amount deposited by the Group with CGN Finance and CGNPC Huasheng (including any interest accrued thereon) during the two years ended 31 December 2018 and the six months ended 30 June 2019 were as follows:

Highest Daily Deposit		
For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
US\$150,000,000	US\$145,000,000	US\$150,000,000

Proposed Deposit Annual Cap Amounts

The Proposed Deposit Annual Cap Amounts for the three years ending 31 December 2022 are as follows:

Proposed Deposit Annual Cap Amount		
For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
US\$500,000,000	US\$500,000,000	US\$300,000,000

The Proposed Deposit Annual Cap Amounts are determined with reference to, among others, (i) the historical and estimated Group's cashflow movements and level of deposits with other independent commercial banks in Hong Kong; (ii) the cash balance of the Group; and (iii) the requirements to settle sums among members of CGN Group and/or any other third parties, taking into consideration of (i) the expected increase in trade volume and thus cashflow amount following the completion of acquisition of CGN GU and the potential increase in sale volume to the CGNPC-URC Group as described under the paragraphs headed "New Sales Framework Agreement" in this circular; and (ii) the financial resources obtained by the Group in anticipation of the potential acquisition of natural uranium mines as part of the development plan of the Group as further described in the 2018 Annual Report of the Company.

LETTER FROM THE BOARD

The decrease in the Proposed Deposit Annual Cap Amounts for the year ending 31 December 2022 as compared to the two years ending 31 December 2021 is mainly due to the estimated completion and payment of the consideration for the aforementioned potential acquisition of natural uranium mines, if materialised.

Historical settlement service fees annual cap amounts

The historical annual cap amounts for settlement service fees payable to CGN Finance and CGNPC Huasheng, on an aggregate basis, for the three years ending 31 December 2019 are as follows:

Historical Settlement Service Fees Annual Cap Amount		
For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
RMB1,000,000	RMB1,000,000	RMB1,000,000

Proposed Settlement Service Fees Annual Cap Amounts

The Proposed Settlement Service Fees Annual Cap Amounts for the three years ending 31 December 2022 are as follows:

Proposed Settlement Service Fees Annual Cap Amount		
For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
US\$300,000	US\$300,000	US\$300,000

Internal Control Measures for the Placement of Deposits

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

- (i) fund manager of the Group shall be responsible for obtaining quotations on interest rates and payment terms from independent commercial banks, including the 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) the designated staff from the finance department of the Group will closely monitor the balance of the deposits placed with CGN Finance and CGNPC Huasheng on a daily basis to ensure that the Proposed Deposit Annual Cap Amounts will not be exceeded;

LETTER FROM THE BOARD

- (iii) in the event that the fund manager of the Group notes that (a) the interest rate provided by CGN Finance and CGNPC Huasheng for the same term and type of deposit is less favourable than that provided by independent commercial banks in PRC and Hong Kong, respectively; or (b) the balance of deposits placed with CGN Finance and CGNPC Huasheng, in aggregate, is anticipated to exceed the Proposed Deposit Annual Cap Amounts, 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.

Reasons for and Benefits of the New Financial Services Framework Agreement

The Existing Financial Services Framework Agreement and the Existing Domestic Financial Services Framework Agreement will expire on 31 December 2019. The Group intends to continue with the transactions under the Existing Financial Services Agreement and the Existing Domestic 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 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.

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 other members of the CGN Group under the New Sales Framework Agreement and the Sale and Purchase Agreement of Husab Uranium Concentrates, there will be needs for the Group to settle amount amongst members of the CGN Group. As CGN Finance and CGNPC Huasheng would at the same time provide similar financial services to other members of the CGN Group, they will provide a more expedite and efficient way for the Group to settle the balances (if any) between the Group and other members 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

LETTER FROM THE BOARD

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 (other than the independent non-executive Directors whose views are expressed in the Letter from the Independent Board Committee) consider that the terms of the New Financial Services 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 Financial Services Framework Agreement are in the ordinary and usual course of business of the Group and that the Proposed Deposit Annual Cap Amounts and the Proposed Settlement Services Fees Annual Cap Amounts are fair and reasonable.

C. THE SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES

Major terms of the Sales and Purchase Agreement of Husab Uranium Concentrates

The major terms of the Sales and Purchase Agreement of Husab Uranium Concentrates and related information are as follows:

Date

14 June 2019

Parties

- (1) CGN GU; and
- (2) Swakop.

LETTER FROM THE BOARD

Subject matter

Subject to the exercise of the Quantity Adjustment Right, CGN GU shall buy and Swakop shall sell 1.55 million lbs of Husab Uranium Concentrates, which shall be delivered in batches over a period of seven years from 2019 in accordance with the stipulated delivery schedule.

Pursuant to the Quantity Adjustment Right, CGN GU may, in its sole discretion, elect by notice in writing to Swakop to increase or decrease the amount of Husab Uranium Concentrates to be delivered for any delivery year for a maximum of 10%.

The table below illustrates the delivery schedule and the effect of the Quantity Adjustment Right:

Delivery Year	2019	2020	2021	2022	2023	2024	2025	Total
Maximum Husab Uranium Concentrates to be delivered (lbs) ¹	55,000	220,000	220,000	220,000	330,000	330,000	330,000	1,705,000
Husab Uranium Concentrates to be delivered (lbs) ²	50,000	200,000	200,000	200,000	300,000	300,000	300,000	1,550,000
Minimum Husab Uranium Concentrates to be delivered (lbs) ³	45,000	180,000	180,000	180,000	270,000	270,000	270,000	1,395,000

Notes:

1. Assuming purchase quantity increased by 10% upon full exercise of the Quantity Adjustment Rights.
2. Assuming no exercise of the Quantity Adjustment Rights.
3. Assuming purchase quantity decreased by 10% upon full exercise of the Quantity Adjustment Rights.

Consideration

Assuming the Quantity Adjustment Right has not been exercised, the total purchase price of the Husab Uranium Concentrates shall be US\$79,316,250. The maximum and minimum total purchase price of Husab Uranium Concentrates shall be US\$87,247,875 and US\$71,384,625, respectively, assuming the purchase quantity for each delivery year has been increased or decreased by 10% upon full exercise of the Quantity Adjustment Right.

Delivery and settlement terms

CGN GU shall have the right to determine, within the limitation of the delivery schedule and the Quantity Adjustment Right, among others, the number of deliveries within each delivery year and the quantity of each delivery. In respect of each delivery, Swakop shall issue an invoice within 14 calendar days after the delivery date and CGN

LETTER FROM THE BOARD

GU shall pay Swakop by wire electronic transfer within five business days after the due payment date specified in the Uranium Concentrates Sales Agreement between CGN GU and its customer.

Condition precedent

The Sales and Purchase Agreement of Husab Uranium Concentrates and the transaction contemplated thereunder are conditional upon the Independent Shareholders' approval. In the event that the above condition precedent cannot be fulfilled on or before 1 December 2019, the Sales and Purchase Agreement of Husab Uranium Concentrates shall become null and void and cease to have any effect.

Basis of Determination of the Consideration and the Purchase Quantity

CGN GU entered into the Master Agreement with Swakop on June 13, 2016, pursuant to which Swakop appointed CGN GU as the exclusive authorized distributor of Swakop to sell and distribute Husab Natural Uranium within all countries and territories throughout the world excluding the PRC, where the purchase price shall be the re-selling price charged by CGN GU to its customers with a 2.5% discount. The aforementioned 2.5% discount was determined after arm's length negotiation between Swakop and CGN GU with reference to the function and risk exposure of CGN GU and the report of an independent third party consultant, one of the big four accounting firms and experienced in providing global transfer pricing services, who reported that such percentage of fixed discount is within the arm's length range of discount for transaction of such nature. Pursuant to the Master Agreement, Swakop shall issue an invoice within 14 calendar days after the delivery date and CGN GU shall pay Swakop by wire electronic transfer within five business days after the due payment date specified in the sales contract between CGN GU and its customer. For further details of the Master Agreement, please refer to the circular of the Company dated 28 December 2018.

In additional, CGN GU has entered into the Uranium Concentrates Sales Agreement with a customer who is an Independent Third Party, pursuant to which CGN GU agreed to sell and such customer agreed to purchase a specified quantity of Husab Uranium Concentrates.

The per unit purchase price under the Sales and Purchase Agreement of Husab Uranium Concentrates were determined based on the sale price received by CGN GU from its customer under the Uranium Concentrates Sales Agreement, deducted by 2.5% discount in accordance with the term of the Master Agreement. The quantity of Husab Uranium Concentrates purchased under the Sales and Purchase Agreement of Husab Uranium Concentrates (including the right to increase or decrease the amount of Husab Uranium Concentrates purchased for a maximum of 10%) is consistent with the quantity sold by CGN GU to the customer under the Uranium Concentrates Sales Agreement.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into of the Sales and Purchase Agreement of Husab Uranium Concentrates

Swakop is the owner and operator of Husab uranium mine and therefore the sole seller of Husab Uranium Concentrates. Procurement of Husab Uranium Concentrates from Swakop enables the Group to fulfill its sales commitment to its customer which also produce a stable source of income to the Group as well as improving the Group's reputation and expertise in the uranium industry in order for the Group to develop the international uranium distribution market.

The terms and conditions of the Sales and Purchase Agreement of Husab Uranium Concentrates were determined after arm's length negotiations between the parties thereto. The Directors (other than the independent non-executive Directors whose views are expressed in the Letter from the Independent Board Committee) consider that the terms of the Sales and Purchase Agreement of Husab Uranium Concentrates are normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole and that the transactions contemplated under the Sales and Purchase Agreement of Husab Uranium Concentrates are in the ordinary and usual course of business of the Group.

D. GENERAL INFORMATION

Information of the Parties

The Group

The Group is principal engaged in investment and trading of natural uranium resources.

CGNPC-URC

CGNPC-URC is a company established in the PRC with limited liability and the sole shareholder of China Uranium Development, a controlling shareholder of the Company, holding approximately 64.82% of the issued Shares as at the date of this circular. CGNPC-URC is also a subsidiary of CGNPC which indirectly holding 67.54% of the issued Shares (including the 64.82% of the issued Shares held by CGNPC-URC).

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 import natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (ii) establish an interest in and support development of commercial resources and reserves of natural uranium; and (iii) procurement of natural uranium and related products both in the PRC and overseas.

LETTER FROM THE BOARD

CGN Finance

CGN Finance is a company incorporated in the PRC with limited liability and a subsidiary of the CGNPC. CGN Finance is a non-banking financial institution established in the PRC with the approval of CBRC 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.

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 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.

Swakop

Swakop is a company incorporated in Namibia and a subsidiary of CGNPC-URC. It owns a uranium mining project in Husab, the Republic of Namibia and is mainly engaged in the exploration and mining of Husab Uranium Concentrates.

Listing Rules Implications

The New Sales Framework Agreement

As at the date of this circular, CGNPC-URC is holding 64.82% of the issued Shares and is also a subsidiary of CGNPC, the controlling shareholder of the Company which indirectly holding 67.54% of the issued Shares (including the 64.82% of the issued Shares held by CGNPC-URC). 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 and annual reporting requirements.

The New Financial Services Framework Agreement

As at the date of this circular, 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.

LETTER FROM THE BOARD

(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.

In addition, as the highest of the applicable percentage ratios based on the highest of the Proposed Deposit Annual Cap Amounts is more than 25%, the placement of deposits under the New Financial Services Framework 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 and annual reporting requirements.

(ii) Settlement services

As the highest of the applicable percentage ratios based on the highest of the Proposed Settlement Service Fees Annual Cap Amounts is less than the 5% and the highest of the Proposed Settlement Service Fees Annual Cap Amounts 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 and annual reporting 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 and annual reporting requirements pursuant to Rule 14A.90 of the Listing Rules.

The Sales and Purchase Agreement of Husab Uranium Concentrates

As at the date of this circular, Swakop is a subsidiary of CGNPC. Accordingly, Swakop is a connected person of the Company and the entering into of the Sales and Purchase Agreement of Husab Uranium Concentrates constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular (including the independent financial advisor) and Independent Shareholders' approval requirements.

LETTER FROM THE BOARD

Abstain from Voting

Mr. Yu Zhiping, Mr. An Junjing, Mr. Yin Xiong and Mr. Chen Deshao have abstained from voting on the relevant board resolutions approving the New Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates as each of Mr. An, Mr. Chen, Mr. Yu 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 Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

Independent Financial Adviser

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

EGM

A notice of the EGM which will be held at 10:30 a.m. on 27 September 2019 (Friday) at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM to seek Independent Shareholders' approval for the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

Due to its interest in each of the New Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates, CGNPC and its subsidiaries, together holding 67.54% of the issued Shares as at the Latest Practicable Date, will abstain from voting on the relevant resolutions approving the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts) 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 agreement or other 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

LETTER FROM THE BOARD

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 and return 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 determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 24 September 2019 (Tuesday) to 27 September 2019 (Friday), both days inclusive, during which period no transfer of shares in the Company 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 23 September 2019 (Monday) 2019.

RECOMMENDATION

As the Directors (other than the independent non-executive Directors whose views are expressed in the Letter from the Independent Board Committee) consider that the terms of each of the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder are on normal commercial term, fair and reasonable and in the interests of the Shareholders as a whole, the Directors (other than the independent non-executive Directors whose views are expressed in the Letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

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 of
CGN Mining Company Limited
An Junjing
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中广核矿业有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01164)

9 September 2019

To the Independent Shareholders,

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT;
(2) MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(3) CONNECTED TRANSACTION:
SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES**

We refer to the circular dated 9 September 2019 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 Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates 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 30 of the Circular which contains information of the New Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates; and (ii) the “Letter from Gram Capital” on pages 33 to 52 of the Circular which contains the advice of Gram Capital in respect of the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

Having taken into account the advice of Gram Capital, we consider that (i) the terms of the New Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates are normal commercial terms (or better to the Group) and fair and reasonable;

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

(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 Annual Cap Amounts are fair and reasonable.

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 Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates.

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

LETTER FROM GRAM CAPITAL

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

9 September 2019

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT
MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT
CONNECTED TRANSACTION:
SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM
CONCENTRATES**

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 New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 September 2019 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 Company entered into (i) the Existing Sales Framework Agreement with CGNPC-URC on 6 December 2016; (ii) the Existing Financial Services Framework Agreement with CGNPC Huasheng on 6 December 2016; and (iii) the Existing Domestic Financial Services Framework Agreement with CGN Finance on 5 September 2017. The Existing Framework Agreements will expire on 31 December 2019. As the Group intends to continue to carry out the non-exempt continuing connected transactions under the Existing Framework Agreements after 31 December 2019, the Company entered into the New Framework Agreements on 14 June 2019 (after trading hours) for a terms of three years ending 31 December 2022.

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In addition, CGN GU entered into the Master Agreement with Swakop on 13 June 2016 in relation to the sale and purchase of Husab Uranium Concentrates between the parties. In order to determine the specific purchase price and quantity of the transaction under the Master Agreement, CGN GU entered into the Sales and Purchase Agreement of Husab Uranium Concentrates with Swakop on 14 June 2019 (after trading hours).

With reference to the Board Letter, the transactions contemplated under the New Sales Framework Agreement (the “**Sale CCT**”) constitute continuing connected transactions of the Company. The placement of deposits by the Group with CGN Finance and CGNPC Huasheng under the New Financial Services Framework Agreement (the “**Deposit CCT**”) constitutes major and continuing connected transactions of the Company. The transaction contemplated under the Sales and Purchase Agreement of the Husab Uranium Concentrates (the “**Purchase Transaction**”, together with the Sale CCT and the Deposit CCT, the “**Transactions**”) constitutes connected transaction of the Company. Accordingly, the Company is required to comply with the reporting, annual review, announcement, and Independent Shareholders’ approval requirements (where applicable) under Chapter 14A of the Listing Rules in respect of the Transactions.

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 New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates 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 resolution(s) to approve the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates 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.

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

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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.

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 Group, CGN Group, CGNPC, CGNPC-URC Group, CGN Finance, CGNPC Huasheng, Swakop 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 Board Letter, the Group principally engaged in investment and trading of natural uranium resources.

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Set out below are the audited consolidated financial information of the Company for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change from 2017 to 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	362,031	372,790	(2.89)
<i>Property investment</i>	2,115	2,070	2.17
<i>Natural uranium trading</i>	359,916	370,720	(2.91)
Gross Profit	63,753	119,016	(46.43)
Profit for the year attributable to owners of the Company	101,408	52,078	94.72

As illustrated by the above table, there was a reduction in the Group's revenue and gross profit for the year ended 31 December 2018 ("FY2018") as compared to those for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report and as advised by the Management, the reduction in revenue was mainly due to the slight decrease in the long-term price of international natural uranium as compared to FY2017. Due to the influence of the slight decline in the sales price and the increase in purchase price of natural uranium, the Group's gross profit decreased by approximately 46.43% as compared to that for FY2017.

Despite the decrease in the Group's revenue and gross profit, the profit for the year attributable to owners of the Company for FY2018 increased by approximately 94.72% as compared to that for FY2017. With reference to the 2018 Annual Report and as advised by the Management, such increase was mainly due to share of substantial positive results of joint venture and associate in FY2018 as compared to share of negative results of joint venture and associate in FY2017.

With reference to the 2018 Annual Report, as an important source of low-carbon power generation, nuclear power plays a key role in global decarbonization. For major nuclear power countries in the world, China's increasing emphasis on nuclear power development is widely recognized. Japan's demand for energy is expected to accelerate the recovery of nuclear power. Meanwhile, the progress of nuclear reduction and denuclearization in important nuclear power countries such as France and South Korea are no longer radical, but tend to be stable and rational. Emerging countries such as India, Saudi Arabia and Poland have adopted a more positive attitude towards nuclear power development. Despite the uneven development of the international nuclear power, it is undeniable that while nuclear power meets the global energy demand, its important position as a low-carbon base energy is irreplaceable. It is believed that the development of nuclear power and nuclear fuel industries will remain stable in the future.

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A. THE NEW SALES FRAMEWORK AGREEMENT

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. It is the controlling shareholder of the Company.

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 import natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (ii) establish an interest in and support development of commercial resources and reserves of natural uranium; and (iii) procure natural uranium and related products in both the PRC and overseas.

Background of and reasons for the New Sales Framework Agreement

With reference to the Board Letter, the Existing Sales Framework Agreement will expire on 31 December 2019. The Group intends to continue with 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 to 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 2018 Annual Report, the natural uranium trading has continued to be the main source of revenue of the Group. The natural uranium trading segment (i.e. transactions contemplated under the Existing Sales Framework Agreement) accounted for approximately 99% of the Group's revenue for FY2018. In addition, as advised by the Management, the Sale CCT is entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis. Accordingly, we concur with the Management that it would be (i) impracticable to negotiate for numerous agreements/transactions with the CGNPC-URC Group; and (ii) as the case may be, costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

Having considered the above reasons and that the (i) Sale CCT will provide a stable source of income to the Group; (ii) revenue derived from the transactions contemplated under the Existing Sales Framework Agreement represented significant portion of the revenue of the Group; and (iii) it would be (a) impracticable to negotiate for numerous agreements/transactions with the CGNPC-URC Group; and (b) as the case may be, costly and impractical to make regular disclosure of each of the relevant

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transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, we concur with the Directors 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 New Sales Framework Agreement

Date: 14 June 2019

Parties: The Company; and
CGNPC-URC.

Subject matter: Subject to the Proposed Sales Annual Cap Amount, CGNPC-URC Group shall purchase natural uranium from the Group where the relevant members of the Group and CGNPC-URC Group shall enter into individual agreements setting out the details and terms of each purchase.

In addition, the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group.

Term: 1 January 2020 to 31 December 2022

Pricing and payment terms

Pricing basis

With reference to the Board Letter, the per pound price of natural uranium (the “**Selling Price**”) shall be determined by arm’s length negotiations between the relevant members of the Group and the CGNPC-URC Group on normal commercial terms with reference to the arithmetic average prices of the long-term price indicators published by UxC and TradeTech in the second month prior to the delivery month (“**Sale Pricing Policy**”), subject to a floor price and a ceiling price. The floor price is equal to the sum of (i) 50% of the arithmetic average prices of long-term price indicator published by UxC and TradeTech at the signing date of the off-take contract between the Group and CGNPC-URC Group plus a markup of 3.8%; and (ii) 50% of the arithmetic average prices of the spot price indicator published by UxC and TradeTech in the second month prior to the delivery month (the “**Floor Price**”). The ceiling price is to be negotiated and agreed by the parties based on the principle of good faith and fairness and taking into account (i) the then prevailing selling price of third party suppliers to their major customers in the industry; (ii) affordability of nuclear power plant owners; (iii) different pricing mechanisms in the industry; and (iv) the long-term and sustainable business relationship with CGNPC-URC Group, with an aim to achieve a fair sharing of profits and risks (the “**Ceiling Price**”). Details of UxC and TradeTech are set out in the sub-section headed “Information on UxC and TradeTech” of the Board Letter.

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We understand that the Group adopted a series of internal control measures to govern the New Sales Framework Agreement (the “**Sale Internal Control Measures**”), details of which is set out under the section headed “Internal Control Measures for the New Sales Framework Agreement” of the Board Letter. We consider that the effective implementation of the internal control measure would help to ensure fair pricing of the Sale CCT according to the Sale Pricing Policy.

For our due diligence purpose, we obtained (i) certain invoices and pricing records (including corresponding sale price, Floor Price and Ceiling Price) in respect of the historical Sale CCT; and (ii) a set of the Group’s internal approval documents of historical Sale CCT 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 Sale Pricing Policy and the Sale Internal Control Measures.

For our due diligence purpose, we further enquired into the Management and were advised by them that using prices index published by UxC and TradeTech to determine prices of natural uranium are market practices commonly used by companies sourcing for natural uranium and the pricing mechanism for natural uranium under the New Sales Framework Agreement are in line with market practices. In addition, we noted from the circular published by CNNC International Limited (stock code: 2302) (the “**CNNC International**”, together with its subsidiaries, the “**CNNC International Group**”) on 15 May 2013 (the “**CNNC International Circular**”) that the price for the uranium products (to be supplied by CNNC International Group to its connected person) shall be determined with reference to the one-month, three-month, six-month, twelve-month arithmetic average prices of both the spot price index and long-term price index published by the UxC and TradeTech and the rational price expectation of the CNNC International Group and its connected person from time to time. The CNNC International Group will make reference to the corresponding spot price or long term price depending on the term of delivery.

In light of the above, together with the representation made by the Management that using prices published by UxC and TradeTech to determine prices of natural uranium are market practices commonly used by companies sourcing for natural uranium, we concur with the Management that the pricing term for natural uranium under the New Sales Framework Agreement is on normal commercial terms and conforms to market practices.

Payment terms:

With reference to the Board Letter, save as otherwise mutually agreed by the Company and CGNPC-URC in writing, the consideration of natural uranium being purchased shall be settled by CGNPC-URC Group via wire transfer within 30 calendar days upon completion of each delivery or a date to be 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, the Group’s credit risk and the reputation and financial stability of CGNPC-URC, with

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reference to (i) the 30 calendar-day credit period offered to the Group by its suppliers when sourcing natural uranium; and (ii) the 30 calendar-day credit period offered by the Group to its independent nuclear power plant operator (or their affiliated companies) customers. The Group will closely enforce the aforementioned payment terms prescribed under the New Sales Framework Agreement.

Proposed annual caps

The table below set out are (i) the historical transaction amounts of the Existing Sales Framework Agreement; (ii) the historical annual caps amounts of the Existing Sales Framework Agreement for the three years ending 31 December 2019; and (iii) the proposed annual caps for the three years ending 31 December 2022 under the New Sales Framework Agreement (the “Sale Cap(s)”):

	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the six months ended 30 June 2019 HK\$
Historical transaction amounts	370,720,000	359,916,000	231,185,000
	For the year ended 31 December 2017 HK\$	For the year ended 31 December 2018 HK\$	For the year ending 31 December 2019 HK\$
Historical annual caps amounts	752,000,000	2,520,000,000	2,620,000,000
	For the year ending 31 December 2020 HK\$	For the year ending 31 December 2021 HK\$	For the year ending 31 December 2022 HK\$
Sale Caps	1,960,000,000	2,035,000,000	2,283,000,000

With reference to the Board Letter, the Sale Caps for the three years ending 31 December 2022 were determined by taking into account of the following factors:

- (i) Demand of Chinese nuclear power plant;
- (ii) The Group’s capability of exploring and supplying natural uranium; and

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- (iii) TradeTech's and UxC's long term price predictions and average prices per pound.

We noted that the utilization rate of the historical annual cap for the year ended 31 December 2018 was low (i.e. approximately 14.28%). Upon our enquiry, we were advised by the Management that when the Company determining the historical annual caps for the three years ending 31 December 2019, it took into account (i) the maximum expected prices of natural uranium during the three years ending 31 December 2019; and (ii) the expected completion of the New Kazakhstan Uranium Project in 2018 (details of which are set out in the Company's announcements dated 14 December 2015, 4 October 2016, 6 December 2016 and 9 November 2018), which would greatly enhance the supply capacity of the Group. Nevertheless, the actual historical prices of natural uranium during the two years ended 31 December 2018 and the four months ended 30 April 2019 were well below the maximum expected prices and the New Kazakhstan Uranium Project was not completed as at the Latest Practicable Date. Therefore, the historical annual cap for the year ended 31 December 2018 was low.

For our due diligence purpose, we obtained the calculation of the Sale Caps for the three years ending 31 December 2022 (the "**Sale Caps Calculation**"). We noted that the Sale Caps Calculation is based on the maximum expected prices of natural uranium and the expected sale volume of each of the three years ending 31 December 2022. As advised by the Management, (a) the maximum expected prices of natural uranium were estimated based on the long term price indicator predicted by UxC and TradeTech; and; (b) the expected sale volume of each of the three years ending 31 December 2022 comprises of (i) Semizbay-U's natural uranium supply; (ii) the increase in supply arising from completion of the New Kazakhstan Uranium Project which is expected to take place in 2020 or 2021; and (iii) expected increase in natural uranium sales.

With reference to the Board Letter, the Group owned 49% interest in Semizbay-U which in turn owned the entire interest in two natural uranium mines in Irkol and Semizbay in Kazakhstan. The Group has the right to purchase 49% of Semizbay-U's total production of natural uranium. With reference to the 2018 Annual Report and as confirmed by the Management, the Group's off-take of natural uranium from Semizbay-U was 588 tons in FY2018, which is close to the assumed quantity of natural uranium to be supplied by Semizbay-U under the Sale Caps Calculation.

With reference to the Company's announcement dated 9 November 2018 and the 2018 Annual Report, the target company under the New Kazakhstan Uranium Project has two uranium mines, namely, Central Mynkuduk Mine and Zhalpak Mine (both in Kazakhstan). Based on the Company's on-site investigation, the Central Mynkuduk mine is operating steadily, with a designed production capacity of 2,000 tons per year. The Zhalpak mine entered test mining phase, with a designed production capacity of 500 tons per year. The Company expects the New Kazakhstan Uranium Project to be completed in the year ending 31 December 2020 or 31 December 2021. As the Group will acquire 49% equity interest of the target company under the New Kazakhstan

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Uranium Project and off-take 49% of its natural uranium production, the assumed quantity of natural uranium to be supplied by the New Kazakhstan Uranium Project is 1,250 tons for each of the year ending 31 December 2020 and 31 December 2021.

Under the Sale Caps Calculation, a possible increase of 150 tons natural uranium supply was taken into account for the Sale Cap in the year ending 31 December 2022.

In addition, we noted that the growth rates of the Sale Caps for the two years ending 31 December 2022 as compared to those of the prior years were not substantial.

Having considered the above, we are of the view that the Sale Caps for the three years ending 31 December 2022 are fair and reasonable.

In light of the above, we are of the view that the terms of the New Sales Framework Agreement (including the Sale Caps for the three years ending 31 December 2022) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Sale 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 2022, and they do not represent forecasts of revenue/income to be generated from the transactions contemplated under the New Sales Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/income to be generated from the transactions contemplated under the New Sales Framework Agreement will correspond with the Sale Caps.

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 Sale CCT must be restricted by the Sale Caps for the three years ending 31 December 2022; (ii) the terms of the New Sales Framework Agreement (including the Sale Caps) 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 New Sales Framework Agreement 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 Sale CCT (i) have not been approved by the Board; (ii) were not, in all material aspects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Sale Caps. In the event that the total amount of the Sale CCT is anticipated to exceed the Sale Caps, or that there is any proposed material amendment to the terms of the New Sales Framework Agreement, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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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 Sale CCT (together with the Sale Caps) and hence the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Sale CCT

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the New Sales Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Sale CCT is conducted under the ordinary and usual course of business of the Group and is 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 resolution(s) to be proposed at the EGM to approve the New Sales Framework Agreement and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. THE NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT

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 the CGNPC and therefore a connected person of the Company under the Listing Rules. CGN Finance is a non-banking financial institution established in the PRC with the approval of CBRC 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 and therefore a connected person of the Company under the Listing Rules. 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 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.

Background of and reasons for the New Financial Service Framework Agreement

With reference to the Board Letter, the Existing Financial Services Framework Agreement and the Existing Domestic Financial Services Framework Agreement will expire on 31 December 2019. The Group intends to continue with the transactions under the Existing Financial Services Agreement and the Existing Domestic Financial Services Framework Agreement.

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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 additional, 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 other members of the CGN Group under the New Sales Framework Agreement and the Sale and Purchase Agreement of Husab Uranium Concentrates, there will be needs for the Group to settle amount amongst members of the CGN Group. As CGN Finance and CGNPC Huasheng would at the same time provide similar financial services to other members of the CGN Group, they will provide a more expedite and efficient way for the Group to settle the balances (if any) between the Group and other members than through independent commercial banks.

Furthermore, we noted from 《中央企業境外國有資產監督管理暫行辦法》 (Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Centrally Administered Stated-owned Enterprises*), as issued by State-owned Assets Supervision and Administration Commission of the State Council of the PRC that stated-owned enterprises shall establish centralised management and allocation of offshore funds and shall review and supervise the centralised account of offshore funds regularly. CGNPC Huasheng therefore, as an intra-group service provider, serves as the centralised hub for the offshore funds owned by the members of the CGN Group overseas, including the Company through the Deposit CCT.

Having considered the above reasons and the background of CGN Finance and CGNPC Huasheng, we concur with the Directors that the Deposit CCT is in the interests of the Company and the Shareholders as a whole.

Principle terms of the New Financial Service Framework Agreement

Date:	14 June 2019
Parties:	The Company; CGN Finance; and CGNPC Huasheng.
Subject matter:	Pursuant to the New Financial Service Framework Agreement in regards to placement of deposits:

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The Group shall set up and maintain RMB and foreign currency deposit accounts with CGN Finance and deposit in compliance with the applicable laws and regulatory requirements. Cash deposited by the Group into the account at CGN Finance from time to time shall constitute money deposited by the Group with CGN Finance.

The Group shall also authorise the Group's account at third party commercial banks outside the PRC to be linked as a participant account to a cash pooling master account maintained by CGNPC Huasheng, which allows auto-transfer of cash balance in the Group's participating accounts to the cash pooling master account. The sums transferred to the cash pooling master account constitute money deposited by the Group with CGNPC Huasheng.

Term: 1 January 2020 to 31 December 2022

With reference to the Board Letter, the interest payable by CGN Finance to the Group 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 to the Group; and (ii) the interest rate for the same type and term of deposit provided by CGN Finance to the other PRC subsidiaries of the CGN Group.

In addition, the interest rates payable by CGNPC Huasheng to the Group shall be equal to or higher than (i) the interest rates for similar type of deposit offered by CGNPC Huasheng to other members of the CGN Group; and (ii) the interest rates for similar type of deposit as 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 from time to time.

We understand that the Group adopted a series of internal control measures to govern the placement of deposits (the "**Deposits Internal Control Measures**"), details of which is set out under the section headed "Internal Control Measures for the Placement of Deposits" of the Board Letter. We consider that the effective implementation of the internal control measure would help to ensure compliance with the basis for determining the interest rates for the Deposit CCT as set out above.

For our due diligence purpose, we enquired and obtained (i) certain deposit slips and records of the Group showing the interest rates on deposits received from CGN Finance/CGNPC Huasheng; and (ii) a set of the Group's internal approval documents of historical Deposit CCT which recorded interest rates comparison and approval procedure as stipulated under the Sale Internal Control Measures. Nothing came to our

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attention that caused us to believe that the pricing under the aforementioned transaction documents was not complied with the basis for determining the interest rates for the Deposit CCT as set out above.

Proposed annual caps

The table below set out are (i) the historical maximum deposits amounts of the Deposit CCT; (ii) the historical annual caps amounts of the Existing Financial Services Framework Agreement for the three years ending 31 December 2019; and (iii) the proposed annual caps for the three years ending 31 December 2022 under the New Financial Service Framework Agreement (the “**Deposit Cap(s)**”):

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 April 2019
	<i>Approximate US\$' million</i>	<i>Approximate US\$' million</i>	<i>Approximate US\$' million</i>
Historical maximum deposit amount (highest daily deposit)	150	145	150
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>US\$' million</i>	<i>US\$' million</i>	<i>US\$' million</i>
Historical annual cap amounts (highest daily deposit)	220	480	480
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>US\$' million</i>	<i>US\$' million</i>	<i>US\$' million</i>
The Deposit Caps (highest daily deposit)	500	500	300

With reference to the Board Letter, the Deposit Caps for the three years ending 31 December 2022 were determined with reference to the following factors:

- (i) the historical and estimated Group’s cashflow movements and level of deposits with other independent commercial banks in Hong Kong;

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- (ii) the cash balance of the Group; and
- (iii) the requirements to settle sums among members of CGN Group and/or any other third parties, taking into consideration of (a) the expected increase in trade volume and thus cashflow amount following the completion of acquisition of CGN GU and the potential increase in sale volume to the CGNPC-URC Group as described under the paragraphs headed “New Sales Framework Agreement” in the Board Letter; and (b) the financial resources obtained by the Group in anticipation of the potential acquisition of natural uranium mines as part of the development plan of the Group as further described in the 2018 Annual Report of the Company (the “**Financial Resources**”).

For our due diligence purpose, we obtained the calculation of the Deposit Caps for the three years ending 31 December 2022 (the “**Deposit Caps Calculation**”). We noted that the Deposit Caps Calculation is consistent with the basis as set out above.

The substantial difference between the Deposit Caps for the two years ending 31 December 2021 and the historical maximum deposit amount of the Deposit CCT for the four months ended 30 April 2019 represents (i) the expected increase in trading volume of natural uranium; and (ii) the expected amount of the Financial Resources.

As advised by the Management, the Financial Resources were originally expected to be obtained in FY2018 or the year ending 31 December 2019. Once the Financial Resources were obtained, they will be deposited before actual utilisation. Accordingly, the historical annual caps for the two years ending 31 December 2019 were set at a higher level. Nevertheless, the aforesaid potential acquisition of natural uranium mines was not completed and thus the Financial Resources were not obtained during the two years ending 31 December 2019. The Company expects the Financial Resources to be obtained during the year ending 31 December 2020 or 31 December 2021 for the completion of the aforesaid potential acquisition of natural uranium mines and thus the Deposit Caps for the two years ending 31 December 2021 were set at a higher level. Thereafter, the Deposit Cap for the year ending 31 December 2022 was reduced as the Group does not require a high amount to cater for the Financial Resources.

Having considered the above, we are of the view that the Deposit Caps for the three years ending 31 December 2022 are fair and reasonable.

In light of the above, we are of the view that the terms of the Deposit CCT (including the Deposit Caps for the three years ending 31 December 2022) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Deposit 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 2022, 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 Caps.

LETTER FROM GRAM CAPITAL

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 Deposit CCT must be restricted by the Deposit Caps for the period concerned under the New Financial Service Framework Agreement; (ii) the terms of the New Financial Service Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the New Financial Service Framework Agreement 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 whether anything has come to their attention that causes them to believe that the Deposit CCT (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the New Financial Service Framework Agreement; and (iv) have exceeded the Deposit caps. In the event that the total amount of the Deposit CCT is anticipated to exceed the Deposit Caps, or that there is any material amendment to the terms of the New Financial Service Framework Agreement, 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 continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit CCT and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Deposit CCT

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit CCT are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Deposit CCT is conducted under the ordinary and usual course of business of the Group and is 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 resolution(s) to be proposed at the EGM to approve the New Financial Service Framework Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

C. THE SALES AND PURCHASE AGREEMENT OF NATURAL URANIUM RESOURCES

Information on Swakop

With reference to the Board Letter, Swakop is a company incorporated in Namibia and a subsidiary of CGNPC-URC. It owns a uranium mining project in Husab, the Republic of Namibia and is mainly engaged in the exploration and mining of Husab Uranium Concentrates.

LETTER FROM GRAM CAPITAL

Background of and reasons for the Sales and Purchase Agreement of Husab Uranium Concentrates

With reference to the Board Letter, Swakop is the owner and operator of Husab uranium mine and therefore the sole seller of Husab Uranium Concentrates. Procurement of Husab Uranium Concentrates from Swakop enables the Group to fulfill its sales commitment to its customer (the “**Customer**”) which also produce a stable source of income as well as improving the Group’s reputation and expertise in the uranium industry in order for the Group to develop the international uranium distribution market. As advised by the Management, Swakop only sells Husab Uranium Concentrates to CGN GU for re-selling in overseas markets (i.e. markets other than the PRC market).

We noted that the Customer and CGN GU entered into the Uranium Concentrates Sales Agreement pursuant to which CGN GU agreed to sell and the Customer agreed to purchase a specified quantity of Husab uranium products. The purchase quantity under the Uranium Concentrates Sales Agreement is the same as that of the Sales and Purchase Agreement of Husab Uranium Concentrates. The sales transaction under the Uranium Concentrates Sales Agreement has not commenced as at the Latest Practicable Date.

Having considered the above, we concur with the Directors that the Purchase Transaction 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 Sales and Purchase Agreement of Husab Uranium Concentrates

Date: 14 June 2019

Parties: CGN GU (a subsidiary of the Company); and Swakop

Subject matter: Subject to the exercise of the Quantity Adjustment Right, CGN GU shall buy and Swakop shall sell 1.55 million lbs of Husab Uranium Concentrates, which shall be delivered in batches over a period of seven years from 2019 in accordance to the stipulated delivery schedule.

Under the Quantity Adjustment Right, CGN GU may, in its sole discretion, elect by notice in writing to Swakop to increase or decrease the amount of Husab Uranium Concentrates to be delivered for any delivery year for a maximum of 10%.

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The delivery schedule and the effect of the Quantity Adjustment Right are illustrated under the section headed “C. THE SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES” in the Board Letter.

Consideration

With reference to the Board Letter, assuming the Quantity Adjustment Right has not been exercised, the total purchase price of the Husab Uranium Concentrates shall be US\$79,316,250. The maximum and minimum total purchase price of Husab Uranium Concentrates shall be US\$87,247,875 and US\$71,384,625, respectively, assuming the purchase quantity for each delivery year has been increased or decreased by 10% upon full exercise of the Quantity Adjustment Right.

Prior to entering into the Master Agreement between CGN GU and Swakop, CGN GU entered into the Uranium Concentrates Sales Agreement with the Customer, pursuant to which CGN GU agreed to sell and the Customer agreed to purchase a specified quantity of Husab uranium products. Subsequently, CGN GU entered into the Master Agreement with Swakop on 13 June 2016, setting out the high-level principles governing the supply of Husab Uranium Concentrates by Swakop to CGN GU, without specific purchase price and purchase quantity. Pursuant to the Master Agreement, Swakop will not appoint or permit a third party other than CGN GU to market or sell the Husab Uranium Concentrates in all countries and territories throughout the world excluding the PRC.

The per unit purchase price under the Sales and Purchase Agreement of Husab Uranium Concentrates were determined based on the re-selling price received by CGN GU from the Customer, deducted by a fixed discount of 2.5% (the “**Fixed Discount**”) in accordance with the term of the Master Agreement. The purchase quantity of Husab Uranium Concentrates are determined under and consistent with the Uranium Concentrates Sales Agreement. According to the schedule set out in the Sales and Purchase Agreement of Husab Uranium Concentrates, the Husab Uranium Concentrates shall be delivered in batches over a period of seven years from 2019.

Upon our enquiry, the Management advised us that CGN GU and Swakop engaged a reputable consultant (the “**Consultant**”) to conduct research for the purpose of determining the Fixed Discount. The Consultant is experienced in providing global transfer pricing services. The Consultant selected the transaction net margin method to benchmark the transaction under review between CGN GU and Swakop. The operating margin was selected as the appropriate net profit indicator with which to calculate the arm’s length profit. The transfer pricing policy between Swakop and CGN GU will be to apply a discount on the uranium that is sold from Swakop to CGN GU, before being sold onwards to third parties. The Consultant determined the arm’s length range of discounts and the inter-quartile range of discounts. Given the function and risk profile

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of CGN GU, the Consultant would recommend that the discount priced is at the lower quartile of the arm's length range. As advised by the Management, the Fixed Discount was determined based on the aforesaid recommendation.

The Fixed Discount represents the gross profit margin of the sales under the Uranium Concentrates Sales Agreement, which is a re-selling/trading business in nature. We obtained records of CGN GU's gross profit margins for other natural uranium re-selling/trading transactions which are similar in nature with the sales under the Uranium Concentrates Sales Agreement and noticed that the Fixed Discount is higher than such gross profit margins.

Based on the above, we consider the consideration under the Sales and Purchase Agreement of Husab Uranium Concentrates to be fair and reasonable.

Delivery and settlement terms

CGN GU shall have the right to determine, within the limitation of the delivery schedule and the Quantity Adjustment Right, among others, the number of deliveries within each delivery year and the quantity of each delivery. In respect of each delivery, Swakop shall issue an invoice within 14 calendar days after the delivery date and CGN GU shall pay Swakop by wire electronic transfer within five business days after the due payment date specified in the Uranium Concentrates Sales Agreement between CGN GU and the Customer.

We noticed that delivery schedule under the Uranium Concentrates Sales Agreement and there is quantity adjustment right entitled to the Customer under the Uranium Concentrates Sales Agreement which is similar to the Quantity Adjustment Right (i.e. 10% increase/decrease each deliver year). Accordingly, the aforesaid delivery terms facilitate CGN GU's execution of the Uranium Concentrates Sales Agreement and the aforesaid settlement terms reduce the credit risk of CGN GU.

In light of the above, we are of the view that the terms of the Sales and Purchase Agreement of Husab Uranium Concentrates are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Recommendation on the Purchase Transaction

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sales and Purchase Agreement of Husab Uranium Concentrates are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Purchase Transaction is conducted under the ordinary and usual course of business of the Group and is 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

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of the resolution(s) to be proposed at the EGM to approve the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
David Kwan
Director

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the years ended 31 December 2016 (pages 73-187), 2017 (pages 99-210) and 2018 (pages 110-222), respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cgnmc.com).

In addition, the Company completed the acquisition of CGN GU on 17 January 2019. The financial information of CGN GU can be accessed at:
<https://www.hkexnews.hk/listedco/listconews/sehk/2018/1227/lt20181227531.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of approximately HK\$396.3 million. The indebtedness of the Group was as follows:

(a) Unsecured borrowings

The Group had outstanding unsecured borrowings of approximately HK\$393.8 million advanced from fellow subsidiaries and intermediate holding companies of the Group respectively.

As at 31 July 2019, there were unused borrowing facilities of approximately HK\$2,997.3 million (equivalent to approximately USD386.5 million).

(b) Lease liabilities

The Group had the balance of lease liabilities of approximately HK\$2.5 million of which approximately HK\$1.5 million and HK\$1.0 million under current liabilities and non-current liabilities respectively.

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 31 July 2019.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the business prospects, the internal resources of the Group and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

Business Environment Outlook

Forecast of the nuclear power market

As an important source of low-carbon power generation, nuclear power plays a key role in global decarbonization. Among major nuclear power countries in the world, China's increasing emphasis on nuclear power development is widely recognized; Japan's demand for energy is expected to accelerate the recovery of nuclear power; meanwhile, the progress of nuclear reduction and denuclearization in major nuclear power countries such as France and South Korea are no longer radical, but tend to be stable and rational; and emerging nuclear power countries such as India, Saudi Arabia and Poland have adopted a more positive attitude towards nuclear power development. Despite the uneven development of the nuclear power in the globe, it is undeniable that while nuclear power meets the increasing global energy demand, its important position as a low-carbon base energy is irreplaceable. It is believed that the development of nuclear power and nuclear fuel industries will remain stable in the future.

Forecast of the natural uranium market

Combining analyses and forecasts of various major international institutions, the Company forecasts that the oversupply of natural uranium market will remain unchanged for years to come. Due to the significant production reduction by major natural uranium producers, the market entry of investment companies and the conclusion of a new batch of long-term sales and purchase contracts for natural uranium, the imbalance between supply and demand in the market will be improved in the next few years. The market pressure will gradually ease as the inventories are digested, and the natural uranium price will continue to rise steadily. However, due to a large idle capacity, the increase is expected to be suppressed.

Business Development Outlook

Strengthening stock asset management

The Company will continue to participate in the operation management of Semizbay-U in 2019 to ensure the fulfillment of its annual production and cost control targets and delivery of its committed offtake to the Group. Meanwhile, the Company will strengthen control on the expenses of Semizbay-U by participating in board meetings and decisions, to ensure that the annual expenditure budget is not exceeded. In addition, the Company will procure Semizbay-U to devote more efforts in improving its resource reserves in 2019 in order to promote its sustainable development.

For Fission, the Company will participate in its decision-making and daily management through its board of directors and the financial manager assigned by the Company. The Group will mainly focus on and encourage Fission to formulate clear medium and long-term development plans for its mining project in the south west margin of Saskatchewan's Athabasca Basin in Canada, based on which the Company

will make its strategic decisions in relation to Fission in the future. At the same time, the Company will support Fission in promoting the feasibility study of the extraction of the Triple R uranium deposit identified in the aforementioned mining project, based on the natural uranium market situation and the results of its related pre-feasibility study report.

Expanding trade business

Leveraging on its own capital advantages, the Company will actively expand its international trade business, vigorously support CGN GU to explore the market, and improve its trade volume and sales profit while controlling the risk exposure of the Group.

Promoting the acquisition of new projects

In order to complete the New Kazakhstan Uranium Project earlier, the Company will initiate the formal negotiation in 2019, and discuss with Kazatomprom the feasible plans and arrangements for accelerating the progress.

In the meantime, the Company will continue to systematically screen high-quality uranium projects around the globe, track key potential projects and select the best for acquisitions at appropriate timing to gradually realize the asset expansion objective of the Group. Furthermore, the Company will remain alert with investment opportunities in related industries such as uranium associated mines and natural uranium processing, and treat them as potential opportunities.

Enhancing maintenance of the investor relationship

In 2019, the Company will continue to optimize information disclosure by continuously improving the quality of voluntary information, strengthening interaction with investors and analysts through various channels. In addition, the Company will continuously strengthen investor relations management by further improving the investor relations team and enhancing the capacities of team members.

Strengthening internal control and risk management

In 2019, the Company will continue to carry out a series of internal control and risk management work including comprehensive risk management, internal audit and internal control assessment. In addition, the Company plans to evaluate its risk management system by introducing external professional strength to further improve and enhance the level of risk management.

5. RECENT DEVELOPMENT

The Company completed the acquisition of CGN GU on 17 January 2019, being a date after the date to which the latest published audited account of the Company have been made up.

CGN GU is a company incorporated with limited liability under the laws of England and Wales and has accumulated good reputation in the field of global uranium trading. The principle business of CGN GU is trading of natural uranium and its major operating geographical regions are overseas markets outside PRC, focusing on the European and American markets. The major customers of CGN GU include European and American nuclear power owners, global nuclear fuel manufacturers and global nuclear fuel traders etc.

The consideration of the acquisition of CGN GU was US\$8,553,800 which was settled in cash by the Company. The remuneration payable to and benefits in kind receivable by the directors of CGN GU will not be varied in consequence of such acquisition.

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, there were no interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and 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 and short positions in which the Directors and chief executive of the Company was 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 executives 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, so far as is known to the Directors or chief executives of the Company, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of Shareholder	Capacity	Number of Shares ^(Notes 1)	Approximate percentage of shareholding
CGNPC ^(Notes 2, 3, 4 & 5)	Interest in a controlled corporation	4,467,887,558 (L)	67.69%
CGNPC-URC ^(Notes 2, 4 & 6)	Interest in a controlled corporation	4,288,695,652 (L)	64.97%
China Uranium Development ^(Note 4 & 7)	Beneficial owner	4,288,695,652 (L)	64.97%
Hong Kong Xinmao Investment Co., Limited	Beneficial owner	659,400,000 (L)	9.99%
Hainan Mining Co., Limited ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Shanghai Fosun Industrial Investment Co., Ltd. ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Shanghai Fosun High Technology (Group) Co., Ltd. ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Fosun International Limited ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Fosun Holdings Limited ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Fosun International Holdings Ltd. ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Guo Guangchang ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
Hainan Haigang Group Co., Ltd. ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%
State-owned Assets Supervision and Administration Commission of Hainan Province ^(Note 8)	Interest in a controlled corporation	659,400,000 (L)	9.99%

Notes:

1. (L) denotes long position
2. CGNPC holds the entire equity interests of CGNPC-URC which in turn holds the entire issued share capital of China Uranium Development. Accordingly, each of CGNPC and CGNPC-URC is deemed to be interested in the interest held by China Uranium Development.
3. CGNPC is also interested in 179,191,906 Shares held by its other wholly-owned subsidiaries.
4. The long position includes (i) the 4,278,695,652 Shares held by China Uranium Development; and (ii) the security interest in 10,000,000 Shares charged by a third party.
5. Mr. Yin Xiong, our non-executive Director, is also an employee of CGNPC.
6. Mr. Yu Zhiping and Mr. Yin Xiong, our non-executive Directors, are also directors of CGNPC-URC. Mr. An Junjing and Mr. Chen Deshao, our executive Directors, are also employees of CGNPC-URC.
7. Mr. Chen Deshao, our executive Director, is also a director of China Uranium Development.
8. According to the information provided by Guo Gangchang and the State-owned Assets Supervision and Administration Commission of Hainan Province (“Hainan SASAC”), Hainan Mining Co., Limited (“Hainan Mining”) is the sole shareholder of Hong Kong Xinmao Investment Co., Limited (“Hong Kong Xinmao”) which is the beneficial owner of 659,400,000 Shares. Hainan Mining is held as to 35% by Hainan Haigang Group Co., Ltd. (“Hainan Haigang”) and 54% by Shanghai Fosun High Technology (Group) Co., Ltd. (“Fosun High Technology”) (including 18% held directly by Fosun High Technology and 36% held by its wholly-owned subsidiary Shanghai Fosun Industrial Investment Co., Ltd. (“Fosun Industrial”). Hainan Haigang is wholly owned by Hainan SASAC. Fosun High Technology is wholly owned by Fosun International Limited which in turn is wholly owned as to 71.55% by Fosun Holdings Limited, a wholly owned subsidiary of Fosun International Holdings Ltd. which in turn is owned as to 64.45% by Guo Guangchang.

Accordingly, each of Hainan Mining, Hainan Haigang, Hainan SASAC, Fosun Industrial, Fosun High Technology, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings Ltd. and Guo Guangchang is deemed to be interested in the Shares held by Hong Kong Xinmao.

3. DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any Director was materially interested and which was 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 assets which have been, since 31 December 2018 (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 are 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 engaged 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 by or against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of Group which will not expire or is not determinable by the Company within one (1) 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:

Name	Qualification
Gram Capital Limited	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 2018, the date to which the latest audited consolidated financial statements of the Company were published, acquired or disposed of by or leased to 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 appear.

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 2018, 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 company secretary of the Company is Ms. Zheng Xiaowei, holder of intermediate accountant qualification of the PRC (中國中級會計師資格) and enterprise legal adviser qualification of the PRC (中國企業法律顧問執業資格).
- (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 Latest Practicable Date which are or may be material to the operations of the Group:

- (a) the third supplemental deed to the subscription agreement entered into on 11 December 2017 between Sichuan Hengtai Pharmaceutical Co. Ltd. and the Company for the purpose of making certain arrangement to mortgage or charge properties of Sichuan Hengtai Pharmaceutical Co. Ltd. in favor of the Company to replace previous 35,000,000 charged shares; and
- (b) the sale and purchase agreement dated 16 November 2018 entered into between the Company (as purchaser) and China Uranium Development in relation to the acquisition of the entire issued share capital of the CGN GU.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1903, 19/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day for a period of 14 days from the date hereof:

- (a) the New Sales Framework Agreement;
- (b) the New Financial Services Framework Agreement;
- (c) the Sales and Purchase Agreement of Husab Uranium Concentrates;
- (d) the Existing Domestic Financial Services Framework Agreement;
- (e) the Existing Financial Services Framework Agreement;
- (f) the Existing Sales Framework Agreement;
- (g) the Master Agreement;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 31 to 32 of this circular;
- (i) the letter from Gram Capital, the text of which is set out on pages 33 to 52 of this circular;
- (j) the consent letter from Gram Capital referred to in the paragraph headed “Expert and Consent” in this appendix;
- (k) the material contracts of the Company set out in the paragraph headed “Material Contracts” in this appendix;
- (l) the memorandum and articles of association of the Company;
- (m) this circular; and
- (n) the annual reports of the Company for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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 10:30 a.m. on 27 September 2019 (Friday) at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong 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 14 June 2019 (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 purposes of identification, the terms and conditions therein, the transactions contemplated thereunder and its proposed annual cap amounts 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.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT

- (a) the financial services framework agreement dated 14 June 2019 (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 purposes of identification, the terms and conditions therein, the transactions contemplated thereunder and its proposed deposit annual cap amounts 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. “THAT

- (a) the sales and purchase agreement dated 14 June 2019 (the “**Sales and Purchase Agreement of Husab Uranium Concentrates**”) entered into between CGN Global Uranium Limited and Swakop Uranium (PTY) Limited, a copy of which has been produced to the EGM marked “C” and signed by the chairman of the EGM for the purposes of identification, the terms and conditions therein and the transactions contemplated thereunder 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 procure or authorise signing, executing, perfecting and delivering all such documents and deeds, to do or procure 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 Sales and Purchase Agreement of Husab Uranium Concentrates and to exercise or procure the exercise of the quantity adjustment right therein and to waive compliance with or make and agree such variations of a non-material nature to any of the terms of the Sales and Purchase Agreement of Husab Uranium Concentrates 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.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

By Order of the Board of
CGN Mining Company Limited
An Junjing
Chief Executive Officer

Hong Kong, 9 September 2019

Registered office:

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

Principal place of business in Hong Kong:
Room 1903, 19/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Notes:

1. To determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 24 September 2019 (Tuesday) to 27 September 2019 (Friday), both days inclusive, during which period no transfer of shares in the Company 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 23 September 2019 (Monday).
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, in the event of a poll, to vote in his place. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his 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.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power 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 later than 48 hours before the appointed time for holding the meeting or any adjourned meeting.
4. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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