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中广核矿业有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01164)

(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

THE NEW FRAMEWORK AGREEMENTS

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 for a term of three years on 14 June 2019 (after trading hours).

THE SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES

Reference is made to the announcement of the Company dated 16 November 2018 and the circular dated 28 December 2018.

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).

LISTING RULES IMPLICATIONS

The New Sales Framework Agreement

The transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios on an annual basis is more than 25%, the sale of natural uranium under the New Sales Framework Agreement is subject to the reporting, announcement, Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Financial Services Framework Agreement

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 will be deemed as financial assistance as defined under the Listing Rules.

As the highest of the applicable percentage ratios with respect to the Proposed Deposit Annual Cap Amounts is more than 25%, the placement of deposits under the New Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Settlement services

Since the highest applicable percentage ratios for the fees and charges regarding the settlement and similar services to be paid by the Group to CGN Finance and CGNPC Huasheng on an annual basis are expected to be less than 5% and less than HK\$3,000,000 and the terms are on normal commercial terms (or better to the Group), such transactions will be regarded as a de minimis continuing connected transaction and will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loans and facilities

Since the loans and facilities to be granted by CGN Finance and CGNPC Huasheng to the Group will be for the benefit of the Group on normal commercial terms (or better to the Group) and no security over the assets of the Group will be granted in respect of such loans and facilities, such loans and facilities will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Sales and Purchase Agreement of Husab Uranium Concentrates

As at the date of this announcement, Swakop is a connected person of the Company by virtue of it being a subsidiary of CGNPC-URC, the controlling shareholder of the Company indirectly holding approximately 64.82% of equity interest in the Company. As the highest of the applicable percentage ratios with respect to the transaction is more than 25%, the transaction contemplated under the Sales and Purchase Agreement of the Husab Uranium Concentrates constitutes a connected transaction under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis, being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the New 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

The Company will hold the EGM to approve the New Framework Agreements and the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts). A circular including, among other information, (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; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

BACKGROUND

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 for a term of three years on 14 June 2019 (after trading hours).

NEW SALES FRAMEWORK AGREEMENT

Date

14 June 2019

Parties

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

Subject matter

Pursuant to the New Sales Framework Agreement:

1. the Group has agreed to sell to CGNPC-URC Group certain amount of natural uranium during the Effective Period; and
2. the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group during the Effective Period.

Condition precedent

The New Sales Framework Agreement and the transactions contemplated thereunder (including the Proposed Sales Annual Cap Amounts) are conditional on the approval by the Independent Shareholders at the EGM.

Term

The New Sales Framework Agreement has a term of three years during the Effective Period.

Pricing and payment terms

The price per pound of natural uranium shall be determined by arm's length negotiations on normal commercial terms with reference to the arithmetic average prices of the long-term price index 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 is equal to the sum of (i) 50% of the arithmetic average prices of long-term price index at the signing date of the off-take contract between the Group and CGNPC-URC Group published by UxC and TradeTech plus an additional markup of 3.8% each year; and (ii) 50% of the arithmetic average prices of the spot price index in the second month prior to the delivery month published by UxC and TradeTech. 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 major customers in the industry; (ii) affordability of nuclear power plant owners; (iii) different pricing mechanisms in the industry; and (iv) long-term and sustainable business relationship with CGNPC-URC Group, with an aim to achieve a fair sharing of profits and risks.

In the natural uranium trading industry, it is a market practice to use the price indexes published by UxC and TradeTech to determine the price per pound of natural uranium.

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 or a date to be agreed by the Company and CGNPC-URC upon completion of each Delivery.

Taken into account of the time required for inspecting, testing and weighing natural uranium upon delivery, it is an industry practice of offering a 30 calendar-day credit period to the purchaser in trading of natural uranium. Furthermore, the Group also has a 30 calendar-day credit period when it sources natural uranium as a purchaser from independent suppliers. The payment terms offered to independent suppliers will take into account of, including without limitation, credit risk, client reputation, financial stability as well as the transaction costs and profit margin of the Group. In any event, the Group will closely comply with the payment terms prescribed under the New Sales Framework Agreement.

Information on UxC and TradeTech

UxC is one of the nuclear industry's leading consulting companies. They offer 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 as well as publishing the industry standard Ux Prices, which are used as references in many fuel contracts. While publications are an important part of UxC's services, UxC is foremost a traditional consulting firm providing a vast array of custom consulting services. In addition, UxC also prepares special reports on key topics of interest, 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. Given its industry experience, strong analytical skills, comprehensive data, and its team of external consultants, UxC aims at providing the most complete consulting and information services in the nuclear fuel industry and related nuclear power sectors.

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 more than 40 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.

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, CGN Group and CGNPC-URC Group.

Referencing to prices published by UxC and TradeTech to determine prices of natural uranium are market practices commonly used by companies sourcing for natural uranium. The Board considers that UxC and TradeTech can provide reliable sources of information for price references.

Historical annual cap amounts and historical transaction amounts

The historical annual cap amounts and the historical transaction amounts for the two years ended 31 December 2018 and the four months ended 30 April 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 four months ended 30 April 2019
HK\$370,720,000	HK\$359,916,000	HK\$160,654,000

Proposed Sales Annual Cap Amounts

The following table sets out the Proposed Sales Annual Cap Amounts for the three years ending 31 December 2022:

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

Basis of the Proposed Sales Annual Cap Amounts

The Proposed Sales Annual Cap Amounts for the three years ending 31 December 2022 are determined by taking into account of the following factors:

(i) *Fuel 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 as a key driver of global nuclear power development. As nuclear power is still an irreplaceable clean energy, fuel demand of Chinese nuclear power plant will continue to increase steadily.

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

The Company positions itself as the sole overseas uranium exploration and trading capital operation platform for CGN Group, responsible for the acquisition and consolidation of overseas uranium resources. However, the Group's supply of natural uranium could only satisfy a small portion of the demand by CGN Group. The Group will further strengthen its edges in the exploration of low-cost natural uranium and its capability of trading and supplying natural uranium. In the future, the Group will continue the acquisition of high quality uranium mines.

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

	2020	2021	2022
TradeTech	US\$44.00	US\$48.00	US\$53.00
UxC	US\$36.26	US\$38.36	US\$39.47
Average	US\$40.13	US\$43.18	US\$46.24

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:

- (1) each transaction under the New Sales Framework Agreement shall be initialed and reviewed by the trading department, finance department, legal department, the chief finance officer and the vice general manager in charge of the trading department of the Group and recommended for approval by the chief executive officer;
- (2) the designated staff from the trading department of the Group will observe the transaction price to ensure the selling price is comparable to the reference price from UxC and TradeTech;
- (3) 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
- (4) 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 SALES FRAMEWORK AGREEMENT

The Existing Sales Framework Agreement will expire on 31 December 2019. The Group intends to continue to carry out the non-exempt continuing connected transactions in natural uranium trading under the Existing Sales Framework Agreement, as it is able to provide a stable source of income to the Group.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CGNPC-URC is one of the few enterprises in the PRC which is authorised by the PRC government to import natural uranium. Coupled with the facts that the Group, by entering into the New Sales Framework Agreement, will continue to maintain and stabilize its position as the natural uranium supplier of CGNPC-URC Group, the Board believes that the sale of natural uranium to CGNPC-URC Group will provide the Group with stable income sources as well as assist in developing the Group's expertise and experience in the uranium 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 (excluding all independent non-executive Directors whose views will be based on the opinion of Gram Capital) consider that the entering into of the New Sales Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and the Proposed Sales Annual Cap Amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT

Date

14 June 2019

Parties

1. The Company; and
2. CGN Finance and CGNPC Huasheng.

Subject matter

1. Placement of deposits

The Group shall set up and maintain RMB and foreign exchange deposit account 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 authorise its third party commercial bank to link its account as a participant account to a cash pooling master settlement account maintained by CGNPC Huasheng in the same third party commercial bank, which allows auto-transfer of cash balance in the participant account to the cash pooling master account. The sums transferred to CGNPC Huasheng constitute money deposited by the Group with CGNPC Huasheng.

The terms and conditions of such deposits shall be subject to arm's length negotiations between (i) the Group and (ii) each of CGN Finance and CGNPC Huasheng, including the amount to be deposited, term of the deposit, the applicable interest rate, interest payment method and time of payment, etc. Each of CGN Finance and CGNPC Huasheng shall pay interest on such deposits.

2. Pricing mechanism

The interest payable by CGN Finance to the Group shall not be lower than (i) the deposit interest rates offered by China's Big-Four Commercial Banks to the Group for the same type of deposit in the same period; and (ii) the deposit interest rates provided by CGN Finance to the other PRC subsidiaries within the CGN Group for the same type of deposit in the same period. The payment terms of the interest shall be determined by the Group and CGN Finance upon making deposits.

The interest payable by CGNPC Huasheng to the Group shall be equal to or higher than (i) the relevant interest rate offered by CGNPC Huasheng to other members of the CGN Group; and (ii) the deposits interest rate 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, being the principal bankers of the Group) from time to time. The payment terms of the interest shall be determined by the Group and CGNPC Huasheng upon making deposits.

3. Settlement services

CGN Finance or CGNPC Huasheng may provide payment, settlement, transfer, remittance, loan entrustment or other financial services to the Group from time to time in compliance with the applicable laws and regulatory requirements.

The Group shall pay for the settlement services. The fees charged by CGN Finance for the provision of settlement services shall be in compliance with the fees standards prescribed by PBOC or China Banking and Insurance Regulatory Commission in respect of such services. If no such fees standard is available, the service fees shall be determined on normal commercial terms and not higher than (i) the fees charged by China's Big-Four Commercial Banks in the PRC for the same type of financial services; and (ii) the fees charged by CGN Finance for the provision of similar type of financial services to the other PRC subsidiaries within the CGN Group. The fees charged by CGNPC Huasheng shall be (i) equal to or lower than the settlement and similar services fees charged by CGNPC Huasheng to other members of the CGN Group in settlement services arrangements; and (ii) equal to or lower than the settlement and similar services fees charged 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 for settlement and similar services provided by CGNPC Huasheng.

4. Loans and facilities

CGN Finance and CGNPC Huasheng may grant loans and facilities to the Group from time to time in compliance with the applicable laws and regulatory requirements, including but not limited to loan financing, credit line, bill acceptance, and note discounting services.

The interest rates of such loans and facilities shall be determined on normal commercial terms and shall not be higher than (i) the loan interest rates charged by China's Big-Four Commercial Banks to the Group for the same type of loan in the same period; 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 facilities to the Group subject to further arms' length negotiations between CGNPC Huasheng and the Group. Such loans and facilities shall be for the benefit of the Group on normal commercial terms (or better to the Group) and no security over the assets of the Group will be granted in respect of such loans and facilities.

Conditions precedent

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

1. all necessary consents and approvals of the Company in relation to the New Financial Services Framework Agreement and the transactions contemplated thereunder having been obtained, including the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the New Financial Services Framework Agreement and the transactions contemplated thereunder; and
2. all necessary consents and approvals on the part of CGN Finance and CGNPC Huasheng in relation to the New Financial Services Framework Agreement and the transactions contemplated thereunder having been obtained.

None of the above conditions precedent can be waived. 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 ceased and terminated.

Term

The New Financial Services Framework Agreement has a term of three years during the Effective Period.

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.

Historical deposit annual cap amounts

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

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

Historical highest daily amounts

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

For the year ended 31 December 2017	For the year ended 31 December 2018	For the four months ended 30 April 2019
US\$150,000,000	US\$145,000,000	US\$150,000,000

Proposed Deposit Annual Cap Amounts

The following table sets out the Proposed Deposit Annual Cap Amounts placed by the Group with CGN Finance and CGNPC Huasheng (including any interest accrued thereon) for the three years ending 31 December 2022 are as follows:

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

Historical settlement services annual cap amounts

The historical deposit settlement services cap amounts with CGN Finance and CGNPC Huasheng for the three years ending 31 December 2019 are as follows:

For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
RMB1,000,000	RMB1,000,000	RMB1,000,000

Proposed Settlement Services Annual Cap Amounts

The following table sets out the Proposed Settlement Services Annual Cap Amounts placed by the Group with CGN Finance and CGNPC Huasheng for the three years ending 31 December 2022 are as follows:

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

Basis of the Annual Cap Amounts

The Proposed Deposit Annual Cap Amounts are determined with reference to, among others, (i) the 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. The substantial increase in the Proposed Deposit Annual Cap Amounts for the years ending 31 December 2021 and 2022 represent the expected increase in trading volume of natural uranium and possible fund demands of high quality uranium mines to be acquired by the Group.

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 under the New Financial Services Framework Agreement:

- (1) fund manager of the Group is responsible for obtaining quotations on interest rates and payment terms from independent commercial banks and offer from CGN Finance and CGNPC Huasheng and making recommendations for approval by the finance department of the Group.
- (2) 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;
- (3) in the event that the fund manager of the Group notes that (a) the interest rate provided by CGN Finance and CGNPC Huasheng is less favourable than that provided by independent commercial banks in PRC and Hong Kong for the same period, respectively; or (b) the maximum daily balance of the deposits placed at CGN Finance and/or CGNPC Huasheng is anticipated to exceed the Proposed Deposit Annual Cap Amounts, the Company will not place deposits with CGN Finance and CGNPC Huasheng and/or transfer cash balance in the auto-transfer account to a non-auto-transfer account at independent commercial bank(s) before proceeding with the auto-transfer; and
- (4) 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 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.

The purpose of setting up CGN Finance and CGNPC Huasheng is to provide loan, financial facilities arrangement and deposits and settlement services to the Group. 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 the independent commercial banks and financial institutions in Hong Kong. The Group is expected to benefit from CGN Finance's and CGNPC Huasheng's familiarity of the Group's industry and operations.

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.

Given the Group has continuing connected transactions with other members of the CGN Group including the New Sales Framework Agreement, there will be needs for the Group to settle sums amongst members of the CGN Group. As CGN Finance and CGNPC Huasheng would at the same time provide similar intra-group 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 of the CGN Group through CGN Finance and CGNPC Huasheng instead of through independent commercial banks.

Although CGN Finance and CGNPC Huasheng are not banks and there is default risk in the repayment of 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 in the past three years; (ii) the Group has closely monitored and will continue to closely monitor the deposits placed with CGN Finance and CGNPC Huasheng; (iii) CGNPC has undertaken in writing to support the funding and liquidity requirements of CGN Finance and CGNPC Huasheng; and (iv) the Group will request CGN Finance and CGNPC Huasheng to provide their financial statements to the Group from time to time.

In light of the foregoing reasons and that (i) the interest rates on loans and deposits to be offered by CGN Finance and CGNPC Huasheng to the Group will be equal to or no less favourable than those offered by independent commercial banks in China and Hong Kong; and (ii) CGN Finance and CGNPC Huasheng provide diversified financial services for the Group and allows the Group to have additional flexibilities, the Directors (excluding all independent non-executive Directors whose views will be based on the opinion of Gram Capital) are of the view that the terms and conditions of the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the Proposed Deposit Annual Cap Amounts and the Proposed Settlement Services Annual Cap Amounts) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES

Date

14 June 2019

Parties

1. CGN GU; and
2. Swakop.

Subject matter

CGN GU shall buy and Swakop shall sell 1.55 million lbs of Husab Uranium Concentrates in accordance to a delivery schedule which set out the quantity of Husab Uranium Concentrates to be delivered in each delivery year. CGN GU may, at its sole discretion, elect by notice in writing to Swakop to increase or decrease the annual delivery quantity for any delivery year up to a maximum of 10%. The Husab Uranium Concentrates shall be delivered in batches over a period of seven years from 2019 in accordance with the delivery schedule set out in the Sales and Purchase Agreement of Husab Uranium Concentrates.

Consideration

The total purchase price of the Husab Uranium Concentrates is US\$79,316,250, subject to an increase or decrease of up to 10% in the event CGN GU exercise its option to increase or decrease the annual quantity for any delivery year.

Payment terms

CGN GU shall pay Swakop by wire electronic transfer within 5 business days upon receiving the corresponding invoice issued by Swakop.

Conditions 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 conditions precedent cannot be fulfilled on or before 1 December 2019, the Sales and Purchase Agreement of Husab Uranium Concentrates shall be ceased and terminated.

Basis of consideration determined

CGN GU has entered into the Master Agreement with Swakop on June 13, 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. CGN GU has entered into the Uranium Concentrates Sales Agreement with the Client, pursuant to which CGN GU agreed to sell and the Client agreed to purchase a specified quantity of Husab uranium products.

The purchase price under the Sales and Purchase Agreement of Husab Uranium Concentrates were determined in accordance with the principles set out in the Master Agreement, which is a fixed margin of discount from the sale price received by CGN GU from the Client. The purchase quantity of Husab Uranium Concentrates are determined under and consistent with the Uranium Concentrates Sales Agreement.

REASONS FOR AND BENEFITS OF THE SALES AND PURCHASE AGREEMENT OF HUSAB URANIUM CONCENTRATES

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Swakop is the owner and operator of Husab uranium mine, whom is the sole seller of Husab Uranium Concentrates in the uranium concentrates market. The Board believes that the procurement of Husab Uranium Concentrates will enable the Group to fulfill the sales commitment to the Client, produce a stable source of profit, develop and realize the sale to the end-users of nuclear power in the international market and will improve the Group's reputation and expertise in the uranium industry.

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 (excluding all independent non-executive Directors whose views will be based on the option of Gram Capital) consider that the entering into of the Sales and Purchase Agreement of Husab Uranium Concentrates is on normal commercial terms and in the ordinary and usual course of business of the Group and the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The principal activities of the Group are investment and trading of natural uranium resources.

CGN Finance

The principal activities of CGN Finance include providing settlement and similar services and taking deposits from members of the CGN Group and providing intra-group loan transactions among members of the CGN Group.

CGNPC-URC

CGNPC-URC is a company established in the PRC with limited liability and the sole shareholder of China Uranium Development. China Uranium Development is a company incorporated in Hong Kong and is the controlling shareholder of the Company, holding approximately 64.82% of equity interest in the Company as at the date of this announcement.

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) deal with the import and export trade of the PRC and overseas natural uranium and related products.

CGNPC Huasheng

CGNPC Huasheng is a company incorporated in Hong Kong with limited liability. CGNPC Huasheng is a wholly-owned subsidiary of CGNPC and therefore a connected person of the Company under the Listing Rules. CGNPC Huasheng is a licensed money lender in Hong Kong under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong).

Swakop

Swakop is a company incorporated in Namibia and a subsidiary of CGNPC-URC. It is mainly engaged in the exploration and mining of uranium mines.

LISTING RULES IMPLICATIONS

The New Sales Framework Agreement

The transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios on an annual basis is more than 25%, the sale of natural uranium under the New Sales Framework Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Financial Services Framework Agreement

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 will be deemed as financial assistance as defined under the Listing Rules.

As the highest of the applicable percentage ratios with respect to the Proposed Deposit Annual Cap Amounts is more than 25%, the placement of deposits under the New Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Settlement services

Since the highest applicable percentage ratios for the fees and charges regarding the settlement and similar services to be paid by the Group to CGN Finance and CGNPC Huasheng on an annual basis are expected to be less than 5% and less than HK\$3,000,000 and the terms are on normal commercial terms (or better to the Group), such transactions will be regarded as a de minimis continuing connected transaction and will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loans and facilities

Since the loans and facilities to be granted by CGN Finance and CGNPC Huasheng to the Group will be for the benefit of the Group on normal commercial terms (or better to the Group) and no security over the assets of the Group will be granted in respect of such loans and facilities, such loans and facilities will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Sales and Purchase Agreement of Husab Uranium Concentrates

As at the date of this announcement, Swakop is a connected person of the Company by virtue of it being a subsidiary of CGNPC-URC, the controlling shareholder of the Company indirectly holding approximately 64.82% of equity interest in the Company. As the highest of the applicable percentage ratios with respect to the transaction is more than 25%, the transaction contemplated under the Sales and Purchase Agreement of the Husab Uranium Concentrates constitutes a connected transaction under Chapter 14A of the Listing Rules.

ABSTAIN FROM VOTING IN BOARD MEETING

Mr. An Junjing, Mr. Chen Deshao, Mr. Yu Zhiping and Mr. Yin Xiong have been abstained from voting to approve the New Framework Agreements and Sales and Purchase Agreement of Husab Uranium Concentrates in the Board meeting by virtue of their directorial and/or managerial positions in CGNPC-URC Group.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis, being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the New 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

The Company will hold the EGM to approve the New Framework Agreements, the Sales and Purchase Agreement of Husab Uranium Concentrates and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts). A circular including, among other information, (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; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

DEFINITIONS

“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, the controlling shareholder of the Company, holding approximately 64.82% equity interest in the Company as at the date of this announcement
“China’s Big-Four Commercial Banks”	Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China
“Client”	independent third parties of the Company
“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Delivery”	the delivery of the ordered quantity of natural uranium in the form of U_3O_8
“Director(s)”	the director(s) of the Company
“Effective Period”	1 January 2020 till 31 December 2022 (both days inclusive)
“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 framework agreement dated 5 September 2017 and 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 framework agreement dated 6 December 2016 and entered into between the Company and CGNPC Huasheng in relation to the provision of certain financial services by CGNPC Huasheng to the Company outside of the PRC, mainly in Hong Kong and overseas
“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 framework agreement dated 6 December 2016 and entered into between the Company and CGNPC-URC in relation to the sale of natural uranium concentrates by the Group to CGNPC-URC
“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 PRC
“Husab Uranium Concentrates”	natural uranium produced from Husab uranium project 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 Shareholders”	Shareholders other than China Uranium Development and its associates
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 13 June 2016 and 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 U_3O_8 with isotopic assay as it occurs in nature and has not been altered (i.e. which had neither been enriched, depleted nor irradiated)
“New Financial Services Framework Agreement”	the framework agreement dated 14 June 2019 and entered into between the Company, CGN Finance and CGNPC Huasheng in relation to the provision of certain financial services by CGNPC Huasheng and CGN Finance to the Company
“New Framework Agreements”	collectively, the New Sales Framework Agreement and the New Financial Services Framework Agreement
“New Sales Framework Agreement”	the framework agreement dated 14 June 2019 and entered into between the Company and CGNPC-URC in relation to the sale of natural uranium by the Group to CGNPC-URC Group
“PBOC”	The People’s Bank of China
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules
“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 placed by the Group with CGN Finance and CGNPC Huasheng (including any outstanding interest accrued thereon) from time to time for the three years ending 31 December 2022
“Proposed Sales Annual Cap Amounts”	the maximum aggregate annual transaction amount for the transaction contemplated under the New Sales Framework Agreement for each of the three years ending 31 December 2022
“Proposed Settlement Services Annual Cap Amounts”	the maximum aggregate amount of settlement services used by the Group with CGN Finance and CGNPC Huasheng from time to time for the three years ending 31 December 2022
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Purchase Agreement of Husab Uranium Concentrates”	the agreement dated 14 June 2019 and entered into between CGN GU and Swakop in relation to the sale of Husab Uranium Concentrates, subject to the provisions of the Master Agreement

“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“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 subsidiary of CGNPC-URC
“TradeTech”	TradeTech of Denver Tech Centre, 7887 E. Belleview Avenue, Suite 888, Englewood, CO 80111, USA
“U ₃ O ₈ ”	natural uranium (not previously irradiated and containing not less than the nominal 0.711 weight percent 235U) and shall conform to the latest version of the ASTM International’s “Standard Specification for Uranium Ore Concentrate” (ASTM C967) at the time of Delivery (i.e. currently ASTM C967-08)
“Uranium Concentrates Sales Agreement”	the agreement entered into between CGN GU and the Client in relation to the sale of natural uranium concentrates by CGN GU to the Client
“US\$”	United States dollars, the lawful currency of the United States of America
“UxC”	UxC, LLC
“%”	per cent

By Order of the Board
CGN Mining Company Limited
Yu Zhiping
Chairman

Hong Kong, 14 June 2019

As at the date of this announcement, 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.

* For identification purposes only