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

**(Stock Code: 1164)**

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF THE ENTIRE EQUITY  
OF BEIJING SINO-KAZAKH**

**Sole Financial Adviser to the Company**



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



**The Acquisition**

The Board is pleased to announce that on 16 May 2014, the Company (as purchaser) and CGNPC-URC (as seller) entered into the Share Purchase Agreement, pursuant to which CGNPC-URC conditionally agreed to sell and the Company conditionally agreed to purchase the Equity, representing the entire registered capital of Beijing Sino-Kazakh, at the Purchase Price of US\$133.00 million (equivalent to approximately HK\$1,030.75 million).

As at the date of this announcement, Beijing Sino-Kazakh holds a 49% partnership interest in Semizbay-U. Through its indirect interest in Semizbay-U, CGNPC-URC is entitled to acquire the Off-take Quantity, being 49% of Semizbay-U's total annual uranium production pursuant to the Off-take Agreement. CGNPC-URC undertook to irrevocably and exclusively designate the Group, from the Completion Date, to purchase the Off-take Quantity from Semizbay-U for the entire term of the Off-take Agreement.

Upon Completion, the Company will, through Beijing Sino-Kazakh, hold a 49% partnership interest in Semizbay-U. Beijing Sino-Kazakh will become a wholly-owned subsidiary of the Company. Semizbay-U will not become a subsidiary of the Company and its financial statements will not be consolidated into those of the Group.

The Purchase Price for the Acquisition is US\$133.00 million (equivalent to approximately HK\$1,030.75 million), which was determined upon arm's length negotiations between the Company and CGNPC-URC with reference to the range of the preliminary results of the Market Valuation.

The Market Valuation, which was prepared using methodologies in line with international market practices, is based primarily on a discounted cash flow analysis on the estimated life of mine operational parameters, including, but not limited to, Ore Reserves and Mineral Resources estimates, production profiles, operating and capital costs, potential for reserve extension and future outlook of commodity prices, with secondary consideration given to alternative valuation methodologies based on multiples of Ore Reserves and Mineral Resources and comparable transaction analysis. The Market Valuation seeks to evaluate the full market value of Semizbay-U and accordingly, reflects the value associated with Inferred Mineral Resources and the exploration potential of the Semizbay-U's assets, which are specifically excluded from the Chapter 18 Valuation as required by the Listing Rules. The Valuation Report on the Chapter 18 Valuation will be disclosed in the circular to be despatched by the Company to the Shareholders in connection with the Acquisition.

The Purchase Price shall be paid by the Company at Completion to CGNPC-URC in the form of a single cash payment.

The Directors (other than the independent non-executive Directors) consider that the terms of the Share Purchase Agreement (including the Purchase Price) have been entered into on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Implications under the Listing Rules**

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules.

In addition, China Uranium Development, a subsidiary of CGNPC-URC, is the controlling shareholder of the Company. As such, CGNPC-URC is a connected person of the Company by virtue of Rule 14A.11(4) of the Listing Rules. The Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Share Purchase Agreement and the transactions contemplated under the Share Purchase Agreement. China Uranium Development and its associates will abstain from voting on the resolutions approving the Share Purchase Agreement and the transactions contemplated under the Share Purchase Agreement.

A circular containing, among others, (i) further details of the Acquisition and the Share Purchase Agreement; (ii) financial and other information of Beijing Sino-Kazakh and Semizbay-U; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the Competent Person's Report and the Valuation Report as required under Chapter 18 of the Listing Rules; (v) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (vi) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (vii) the notice of the EGM, will be despatched to the Shareholders on or before 9 June 2014 in accordance with the Listing Rules.

## **1. INTRODUCTION**

The Board is pleased to announce that, on 16 May 2014, the Company (as purchaser) and CGNPC-URC (as seller) entered into the Share Purchase Agreement. Pursuant to the Share Purchase Agreement, CGNPC-URC conditionally agreed to sell and the Company conditionally agreed to purchase the Equity, representing the entire registered capital of Beijing Sino-Kazakh, at the Purchase Price of US\$133.00 million (equivalent to approximately HK\$1,030.75 million).

As at the date of this announcement, Beijing Sino-Kazakh, holds a 49% partnership interest in Semizbay-U. Through its indirect interest in Semizbay-U, CGNPC-URC is entitled to acquire the Off-take Quantity, being 49% of the Semizbay-U's total annual uranium production, pursuant to the Off-take Agreement. CGNPC-URC undertook to irrevocably and exclusively designate the Group, from the Completion Date, to purchase the Off-take Quantity from Semizbay-U for the entire term of the Off-take Agreement.

Upon Completion, the Company will, through Beijing Sino-Kazakh, hold a 49% partnership interest in Semizbay-U. Beijing Sino-Kazakh will become a wholly-owned subsidiary of the Company. Semizbay-U will not become a subsidiary of the Company and its financial statements will not be consolidated into those of the Group.

## **2. THE SHARE PURCHASE AGREEMENT**

The major terms of the Share Purchase Agreement are set out as follows:

### **2.1 Date**

16 May 2014

### **2.2 Parties**

Seller: CGNPC-URC

Purchaser: the Company

### **2.3 Assets to be acquired**

The Company will acquire the Equity, being the entire registered capital of Beijing Sino-Kazakh, from CGNPC-URC.

As at the date of this announcement, Beijing Sino-Kazakh directly holds a 49% partnership interest in Semizbay-U. Semizbay-U holds the exclusive right to extract the underground resources of two uranium mines owned and operated by Semizbay-U in the Republic of Kazakhstan.

Please refer to the section headed "4. Information on Beijing Sino-Kazakh and Semizbay-U" below in this announcement for further information.

## **2.4 Purchase Price**

The Purchase Price for the Acquisition is US\$133.00 million (equivalent to approximately HK\$1,030.75 million), which was determined upon arm's length negotiations between the Company and CGNPC-URC with reference to the range of the preliminary results of the Market Valuation.

The Company has appointed AVISTA Valuation Advisory Limited as the Competent Evaluator to conduct the Chapter 18 Valuation and the Market Valuation. The Market Valuation, which was prepared using methodologies in line with international market practices, is based primarily on a discounted cash flow analysis on the estimated life of mine operational parameters, including, but not limited to, Ore Reserves and Mineral Resources estimates, production profiles, operating and capital costs, potential for reserve extension and future outlook of commodity prices, with secondary consideration given to alternative valuation methodologies based on multiples of Ore Reserves and Mineral Resources and comparable transaction analysis. The Market Valuation seeks to evaluate the full market value of Semizbay-U and accordingly, reflects the value associated with Inferred Mineral Resources and the exploration potential of the Semizbay-U's assets, which are specifically excluded from the Chapter 18 Valuation as required by the Listing Rules.

According to AVISTA Valuation Advisory Limited, most of the bases and assumptions applied in the preparation of the Chapter 18 Valuation and the Market Valuation are the same. The major difference in the bases and assumptions applied relates to the exclusion or inclusion of the Inferred Mineral Resources in the valuation. In the Chapter 18 Valuation, AVISTA Valuation Advisory Limited has not included any consideration of Inferred Mineral Resources in determining the value of Semizbay-U. However, according to AVISTA Valuation Advisory Limited, the value of the Inferred Mineral Resources that has a reasonable likelihood of being mined in the future has been included in the Market Valuation.

The Valuation Report on the Chapter 18 Valuation will be disclosed in the circular to be despatched by the Company to the Shareholders in connection with the Acquisition.

## **2.5 Payment**

The Purchase Price shall be paid by the Company at Completion to CGNPC-URC in the form of a single cash payment.

All of the Purchase Price will be funded by the Group by its internal resources taking into account the sufficiency of its working capital.

## **2.6 Conditions precedent**

Completion is subject to the satisfaction or waiver by the Company of certain conditions precedent (except for the conditions set out in paragraphs (i) to (ii) which cannot be waived) (as the case may be), including, among others:

- (i) the passing by the Independent Shareholders of a resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder at a general meeting of the Company in accordance with the Listing Rules;

- (ii) all approvals and consents from the competent authorities in the PRC and the Republic of Kazakhstan with respect to the transfer of Equity contemplated under the Share Purchase Agreement having been obtained;
- (iii) the final results of the Market Valuation shall not have material difference from the preliminary results of the Market Valuation;
- (iv) other customary conditions for transaction of a similar kind, such as the warranties given by CGNPC-URC remaining true, accurate and not misleading in any material respect at Completion, completion of due diligence on Beijing Sino-Kazakh and Semizbay-U to the reasonable satisfaction of the Company and no material adverse change on Beijing Sino-Kazakh or Semizbay-U.

CGNPC-URC and the Company undertake to each other to use all reasonable endeavours to ensure that the above conditions are fulfilled to the satisfaction of the Company as soon as reasonably practicable and in any event by 31 December 2014 (or such other date as may be agreed by both parties). In the event that any of the above conditions precedent shall not have been fulfilled or waived (as the case may be) prior to 31 December 2014 (or such other date as may be agreed by both parties), the Company shall not be bound to proceed with the purchase of the Equity. The Company currently has no intention of waiving those conditions precedent that are waivable.

Pursuant to the applicable PRC laws and the requirements of relevant authorities in the PRC, the effectiveness of the Share Purchase Agreement is subject to the approvals of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the Ministry of Commerce of the PRC.

## **2.7 Completion**

Subject to the fulfilment or waiver (as the case may be) of the relevant conditions precedent set out above, Completion shall take place on the Completion Date.

In the event that CGNPC-URC fails to fulfil its obligations under the Share Purchase Agreement on the Completion Date, the Company shall not be obliged to complete the purchase of the equity interest in Beijing Sino-Kazakh or pay any of the Purchase Price and may in its absolute discretion (in addition and without prejudice to any other right or remedy available to it) by written notice to CGNPC-URC:

- (i) defer Completion by a period of not more than 28 days to such other date as it may specify in such notice;
- (ii) waive all or any of the requirements contained or referred to CGNPC-URC's obligations at Completion at its discretion and proceed to Completion so far as practicable; or
- (iii) terminate the Share Purchase Agreement without liability on its part.

### 3. EXISTING PROVISION REGARDING REPURCHASE OF INTEREST IN SEMIZBAY-U BY KAP UNDER THE JOINDER AGREEMENT

Pursuant to the Joinder Agreement among Beijing Sino-Kazakh, KAP and The Mining Company LLP (a wholly-owned subsidiary of KAP), KAP shall purchase and Beijing Sino-Kazakh shall sell the 49% partnership interest in Semizbay-U held by Beijing Sino-Kazakh upon receipt of the written request from KAP in any of the following situations, unless otherwise agreed by KAP and Beijing Sino-Kazakh in writing:

- (i) KAP and CGNPC-URC fail to reach an agreement with respect to the supply of fuel pellets processed by a subsidiary of KAP to the nuclear power plant reactors operated by CGNPC (“**Pellets Contract**”) on or before 1 July 2014; and
- (ii) where the Pellets Contract is entered into before 1 July 2014, during the performance of the Pellets Contract, the Pellets Contract becomes unenforceable due to either party’s non-performance of its obligation or any other reasons not attributable to either party.

With respect to the repurchase situation set out under sub-paragraph (i) above, as at the date of this announcement, CGNPC-URC has informed the Company that the Pellets Contract had been entered into on 31 March 2014. As such, the repurchase situation as mentioned in sub-paragraph (i) above will no longer be applicable.

With respect to the repurchase situation set out under sub-paragraph (ii) above, based on the long-term business cooperation between KAP and CGNPC-URC, the Company is of the view that it is unlikely that KAP and CGNPC-URC will default on their respective obligations under the Pellets Contract which may result in the exercise by KAP of its repurchase rights under the Joinder Agreement. In addition, CGNPC-URC and the Company are in negotiation with KAP with the aim of removing KAP’s aforementioned repurchase right. A further announcement will be made in this regard should the aforementioned repurchase provision is subsequently amended.

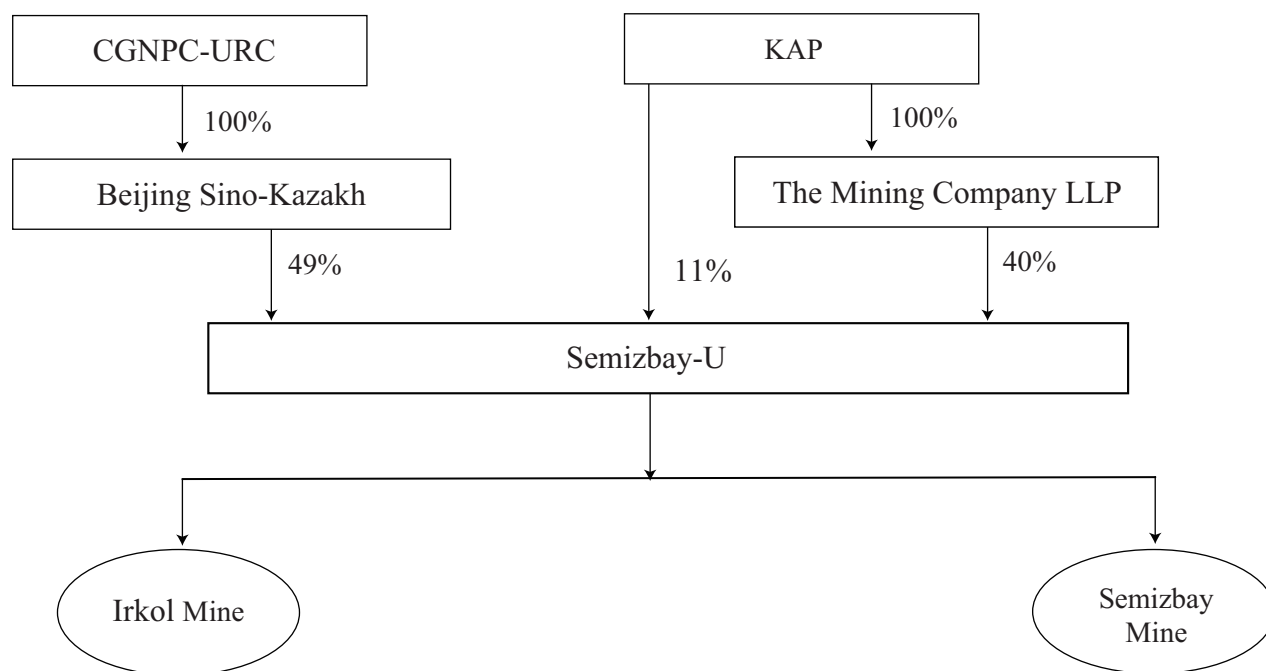
If KAP’s aforementioned repurchase right is exercised, the amount of repurchase price payable by KAP shall be an agreed initial investment amount (being approximately US\$100.86 million (equivalent to approximately HK\$781.67 million) as provided under the Joinder Agreement) plus an interest calculated at a compound annualized rate of 7% (interest started to accrue since 31 December 2008) as agreed between the parties under the Joinder Agreement. Any dividend declared by Semizbay-U and received by Beijing Sino-Kazakh since 2013 (plus an interest of such dividend calculated at a compound annualized rate of 7%) shall be deducted from the repurchase price. So far as the Directors are aware, no dividend has been declared by Semizbay-U since 2013. Based on the aforementioned calculation, should KAP choose to exercise the repurchase right as of the date of this announcement, the repurchase price payable by KAP should be approximately US\$144.00 million (equivalent to approximately HK\$1,116.00 million), representing approximately 8.3% premium over the Purchase Price.

#### 4. INFORMATION ON BEIJING SINO-KAZAKH AND SEMIZBAY-U

Beijing Sino-Kazakh is an investment holding company incorporated in the PRC on 26 November 2007 and is directly wholly-owned by CGNPC-URC. Beijing Sino-Kazakh acquired a 49% partnership interest in Semizbay-U for a consideration (after adjustment) of approximately US\$102.35 million (equivalent to approximately HK\$793.21 million). As at the date of this announcement, Beijing Sino-Kazakh holds a 49% partnership interest in Semizbay-U. Semizbay-U is not consolidated into the financial statements of Beijing Sino-Kazakh and is not a subsidiary of Beijing Sino-Kazakh. Save as holding the 49% partnership interest in Semizbay-U, Beijing Sino-Kazakh has no other substantial business.

As at the date of this announcement, Semizbay-U is owned as to 49% by Beijing Sino-Kazakh, 11% by KAP and 40% by The Mining Company LLP, a wholly-owned subsidiary of KAP. Semizbay-U is mainly engaged in the mining and extraction of natural uranium, and currently operates two uranium mines in production in the Republic of Kazakhstan.

The following chart shows the shareholding structure of Semizbay-U as well as its mineral assets as at the date of this announcement:



##### 4.1 Mineral assets of Semizbay-U

*(i) Irkol Mine. Semizbay-U owns 100% interest in Irkol Mine.*

- a. Location: The Irkol Mine is located in the Kyzylorzhinsk area, 20 kilometres from the town of Chiili, the Republic of Kazakhstan.
- b. Products: natural uranium oxide.
- c. Mining permits and mining life: The Irkol Mine covers a mining lease area of 44 square kilometres for extraction operations at a depth of 400 to 700 metres from the surface. According to the Competent Person's Report, the Irkol Mine has remaining mine life up to year 2029 with an average annual production of approximately 711 tonnes uranium (equivalent to approximately 1.85 million pounds of U<sub>3</sub>O<sub>8</sub>).

- d. Operational history and production: Commercial operations at the Irkol Mine commenced in 2007 using the ISR extraction method. Full production capacity was achieved in 2010. Irkol Mine produced approximately 711.8 tonnes uranium (equivalent to approximately 1.85 million pounds of U<sub>3</sub>O<sub>8</sub>) and 654.4 tonnes uranium (equivalent to approximately 1.70 million pounds of U<sub>3</sub>O<sub>8</sub>) in 2012 and 2013, respectively.
- e. Employees: As at 31 December 2013, 204 employees and 23 casual and contract workers were engaged in the operation of the Irkol Mine.
- f. Reserves and resources:

The following table sets out the Mineral Resources of Irkol Mine at a uranium cut-off grade of 0.01%:

Category	Volume (1,000 m <sup>3</sup> )	Tonnage (1,000 tonne)	Uranium grade (%)	Uranium grade- thickness	Contained uranium metal (tonne)
Measured	2,251	4,051	0.049	0.233	1,985
Indicated	18,268	32,882	0.045	0.184	14,666
Measured and indicated	20,519	36,933	0.045	0.189	16,651
Inferred	16,612	29,901	0.044	0.163	13,145
<b>Total</b>	<b>37,131</b>	<b>66,834</b>	<b>0.045</b>	<b>0.178</b>	<b>29,796</b>

*Notes:*

- Figures may not add up due to rounding.
- Resources have not been depleted for mining; 3,759 tonnes uranium has been extracted as at 31 December 2013.
- Mineral Resources are inclusive of Ore Reserves.

The following table sets out the Ore Reserves of Irkol Mine at a grade-thickness cut-off of 0.04:

Category	Volume (1,000 m <sup>3</sup> )	Tonnage (1,000 tonne)	Uranium grade (%)	Uranium grade- thickness	Contained uranium metal (tonne)
Proved	2,244	4,039	0.049	0.234	1,979
Probable	17,951	32,311	0.045	0.186	14,515
Proved and probable	20,194	36,350	0.045	0.187	16,493
Mined out					3,759
<b>Remaining</b>	<b>20,194</b>	<b>36,350</b>			<b>12,734</b>

*Note:* Figures may not add up due to rounding.



(ii) *Semizbay Mine. Semizbay-U owns 100% interest in Semizbay Mine.*

- a. Location: The Semizbay Mine is located in the Valihanov District of Akmoltnsk Oblast, the Republic of Kazakhstan.
- b. Products: natural uranium oxide.
- c. Mining permits and mining life: The Semizbay Mine covers a mining lease area of 27.2 square kilometres for extraction operations at a depth of 180 metres from the surface. According to the Competent Person's Report, the Semizbay Mine has remaining mine life extending to the year 2032 with an average annual production of approximately 508 tonnes uranium (equivalent to approximately 1.32 million pounds of U<sub>3</sub>O<sub>8</sub>).
- d. Operational history and production: Construction of well fields was completed in 2007 and the treatment plant was commissioned in 2009. Commercial operations commenced in 2009 using the ISR extraction method. Semizbay Mine produced approximately 508.6 tonnes uranium (equivalent to approximately 1.32 million pounds of U<sub>3</sub>O<sub>8</sub>) and 507.0 tonnes uranium (equivalent to approximately 1.32 million pounds of U<sub>3</sub>O<sub>8</sub>) in 2012 and 2013, respectively.
- e. Employees: As at 31 December 2013, 300 employees and 33 casual and contract workers were engaged in the operation of the Semizbay Mine.
- f. Reserves and resources:

The following table sets out the Mineral Resources of Semizbay Mine at a uranium cut-off grade of 0.01%:

Category	Volume (1,000 m <sup>3</sup> )	Tonnage (1,000 tonne)	Uranium grade (%)	Uranium grade- thickness	Contained uranium metal (tonne)
Indicated	13,201	21,781	0.061	0.307	13,244
Inferred	2,357	3,888	0.056	0.248	2,180
<b>Total</b>	<b>15,558</b>	<b>25,669</b>	<b>0.060</b>	<b>0.298</b>	<b>15,424</b>

*Notes:*

1. Figures may not add up due to rounding.
2. Resources have not been depleted for mining; 1,667 tonnes uranium has been extracted as at 31 December 2013.
3. Mineral Resources are inclusive of Ore Reserves.

The following table sets out the Ore Reserves of Semizbay Mine above a grade-thickness cut-off of 0.04:

Category	Volume (1,000 m <sup>3</sup> )	Tonnage (1,000 tonne)	Uranium grade (%)	Uranium grade- thickness	Contained uranium metal (tonne)
Proved	–	–	–	–	–
Probable	13,018	21,480	0.061	0.308	13,144
Mined out					1,667
<b>Remaining</b>	<b>13,018</b>	<b>21,480</b>			<b>11,477</b>

*Note: Figures may not add up due to rounding.*

**(iii) Historical production of Irkol Mine and Semizbay Mine**

The following table sets out the historical production of Irkol Mine and Semizbay Mine from 2007 to 2013:

Mine Name	Items	Unit	2007	2008	2009	2010	2011	2012	2013
Irkol Mine	Leached Uranium in Pregnant Solution	tonne	–	–	516.7	747.3	655.4	721.0	663.1
	Processed Uranium in U <sub>3</sub> O <sub>8</sub> Product	tonne	50.0	300.0	502.1	750.0	651.5	711.8	654.4
Semizbay Mine	Leached Uranium in Pregnant Solution	tonne	0.0	0.0	15.6	230.1	416.4	532.0	521.6
	Processed Uranium in U <sub>3</sub> O <sub>8</sub> Product	tonne	0.0	0.0	8.5	224.0	409.9	508.6	507.0
Total	Leached Uranium in Pregnant Solution	tonne	–	–	532.3	977.4	1,071.8	1,253.0	1,184.7
	Processed Uranium in U <sub>3</sub> O <sub>8</sub> Product	tonne	50.0	300.0	510.6	974.0	1,061.4	1,220.4	1,161.4

## 4.2 Financial information of Beijing Sino-Kazakh and Semizbay-U

### (i) Financial information of Beijing Sino-Kazakh

According to the audited financial statements of Beijing Sino-Kazakh for the year ended 31 December 2013 prepared in accordance with HKFRSs, the net asset value of Beijing Sino-Kazakh as at 31 December 2013 was approximately US\$49.04 million (equivalent to approximately HK\$380.06 million).

Beijing Sino-Kazakh is a holding company and did not record any revenue arising from its business operation in the financial year ended 31 December 2011, 31 December 2012, and 31 December 2013, respectively. The audited net profit/(loss) before and after taxation of Beijing Sino-Kazakh for the financial year ended 31 December 2011, 31 December 2012, and 31 December 2013, respectively, prepared in accordance with HKFRSs were as follows:

	For the year ended 31 December 2011 <i>(US\$ million)</i>	For the year ended 31 December 2012 <i>(US\$ million)</i>	For the year ended 31 December 2013 <i>(US\$ million)</i>
Net profit/(loss) before taxation	approximately 20.46 (equivalent to approximately HK\$158.57 million)	approximately 2.99 (equivalent to approximately HK\$23.17 million)	approximately (13.00) (equivalent to approximately HK\$(100.75) million)
Net profit/(loss) after taxation	approximately 16.70 (equivalent to approximately HK\$129.43 million)	approximately 1.18 (equivalent to approximately HK\$9.15 million)	approximately (11.88) (equivalent to approximately HK\$(92.07) million)

### (ii) Financial information of Semizbay-U

According to the audited financial statements of Semizbay-U for the year ended 31 December 2013 prepared in accordance with IFRSs, the net asset value of Semizbay-U as at 31 December 2013 was approximately US\$73.07 million (equivalent to approximately HK\$566.29 million).

The audited revenue and net profit/(loss) before and after taxation of Semizbay-U for the year ended 31 December 2011, 31 December 2012, and 31 December 2013, respectively, prepared in accordance with IFRSs were as follows:

	<b>For the year ended 31 December 2011</b> <i>(US\$ million)</i>	<b>For the year ended 31 December 2012</b> <i>(US\$ million)</i>	<b>For the year ended 31 December 2013</b> <i>(US\$ million)</i>
Revenue	approximately 191.08 (equivalent to approximately HK\$1,480.87 million)	approximately 152.96 (equivalent to approximately HK\$1,185.44 million)	approximately 122.69 (equivalent to approximately HK\$950.85 million)
Net profit/(loss) before taxation	approximately 73.86 (equivalent to approximately HK\$572.42 million)	approximately 37.88 (equivalent to approximately HK\$293.57 million)	approximately (26.32) (equivalent to approximately HK\$(203.98) million)
Net profit/(loss) after taxation	approximately 59.01 (equivalent to approximately HK\$457.33 million)	approximately 30.98 (equivalent to approximately HK\$240.10 million)	approximately (24.23) (equivalent to approximately HK\$(187.78) million)

Semizbay-U recorded net profits in the financial years ended 31 December 2011 and 2012 but recorded a net loss in the financial year ended 31 December 2013, primarily due to the following reasons:

- (a) The international uranium market was still negatively impacted by the aftermath of the nuclear crisis in Fukushima city of Japan and continued market downturns in the year 2013. The average international uranium spot price was approximately US\$38.24 per pound U<sub>3</sub>O<sub>8</sub> in 2013, compared to US\$56.75 and US\$48.50 per pound U<sub>3</sub>O<sub>8</sub> in 2011 and 2012, respectively. As such, the uranium average selling price realised by Semizbay-U was adversely affected by such market downturn in 2013.

- (b) The pricing methodology for the sale of uranium products of Semizbay-U changed in the year 2013 due to the Off-take Agreement entered into between KAP and CGNPC-URC. Before 2013, the selling price of Semizbay-U's uranium products was calculated at an initial discount of 2% over the arithmetic average of the long-term uranium benchmark price and the spot prices (as published by consulting companies recognized in the Republic of Kazakhstan as the official sources of uranium spot price). Such a pricing methodology limits Semizbay-U's exposure to the volatility of international uranium spot price. Starting in 2013, all of Semizbay-U's uranium products were sold to KAP and CGNPC-URC in accordance with the Off-take Agreement, in which the prices of uranium products sold are determined based on certain discount over uranium spot price (as published by consulting companies recognized in the Republic of Kazakhstan as the official sources of uranium spot price) only, which were calculated based on a pre-determined formula provided under the Off-take Agreement. Given this change in pricing methodology, the average selling price realised by Semizbay-U in 2013 was significantly lower than that in previous years since long-term uranium benchmark price was higher than spot price and the uranium spot price remained low in 2013. Therefore, the revenue of Semizbay-U generated from the sale of uranium products significantly decreased in the year 2013. Please refer to the below sub-paragraph headed "4.3 Off-take arrangement and undertaking by CGNPC-URC" in this announcement for more information.

Notwithstanding the aforementioned situations, the Directors are of the view that there was no significant deterioration in the production and operation of Semizbay-U in the latest financial year. Semizbay-U had a steady production and sales volume in the past three years. The annual uranium production of Semizbay-U for the three years ended 31 December 2013 was approximately 1,061 tonnes uranium, 1,220 tonnes uranium and 1,161 tonnes uranium, respectively, and the annual sale volume for each of the years during the same period was approximately 1,200 tonnes uranium. The operating costs of Semizbay-U also remained relatively stable with a slight increase in the past three years, which was mainly attributable to the increase of costs of consumables and contracting service as well as power. The average annual operating costs of Semizbay Mine for 2011, 2012 and 2013 were approximately US\$30 per pound  $U_3O_8$ , US\$33 per pound  $U_3O_8$  and US\$35 per pound  $U_3O_8$ , respectively. The average annual operating costs of Irkol Mine for 2011, 2012 and 2013 were approximately US\$23 per pound  $U_3O_8$ , US\$28 per pound  $U_3O_8$  and US\$28 per pound  $U_3O_8$ , respectively.

In addition, as mentioned in paragraph 4.3 of this announcement, the Company will be entitled to purchase the Off-take Quantity from Semizbay-U following Completion. The change of the pricing methodology for the sale of uranium products of Semizbay-U in 2013 resulted in a lower uranium supply price, which was very competitive as compared with other sources of uranium supply currently available to the Group. As such, the Group is expected to benefit from the lower purchase cost from Semizbay-U and enjoy higher trading margin. Please refer to the sub-paragraph 5.1 of this announcement below.

Further, the Directors believe that the influence of the nuclear crisis in Fukushima city of Japan is diminishing, and there is a scarcity of traditional power generating resources (such as oil and coal) without desirable and sufficient substitutes other than nuclear power source. Given that the expected strong demand for energy in the long term for development of the PRC economy, we anticipate that the nuclear power industry, and in turn the uranium or related industries in the PRC would be developing persistently in the future.

### **4.3 Off-take arrangement and undertaking given by CGNPC-URC**

On 29 March 2013, CGNPC-URC and KAP, which indirectly controlled 49% and 51% partnership interest in Semizbay-U, respectively, entered into the Off-take Agreement. Pursuant to the Off-take Agreement, CGNPC-URC and KAP are entitled to and shall acquire 49% and 51% of Semizbay-U's total annual production respectively, with effect from 1 January 2013. CGNPC-URC and KAP are permitted, with prior agreement of both parties in writing, to assign part or all of their respective uranium product quantities to be purchased from Semizbay-U to their respective affiliates, including their subsidiaries.

The purchase price of the uranium under the Off-take Agreement that is applicable to each of CGNPC-URC and KAP is determined based on their respective fixed formulas. The current discount rate applicable to CGNPC-URC under the Off-take Agreement as at the date of this announcement is 2%.

Pursuant to an undertaking given by CGNPC-URC dated 16 May 2014, CGNPC-URC undertook to the Company that, from the Completion Date and for the entire term of the Off-take Agreement:

- (i) it will irrevocably and exclusively designate the Group to purchase the entire Off-take Quantity from Semizbay-U;
- (ii) it will not purchase and will not permit any person other than a member of the Group to purchase any part of the Off-take Quantity from Semizbay-U without obtaining the prior written consent from the Company, provided that the Group will purchase the Off-take Quantity in full from Semizbay-U for each calendar year;
- (iii) it will continue to perform its rights and obligations under the Off-take Agreement not affected or modified by the above undertaking and will not assign its rights or obligations under the Off-take Agreement, amend or agree to amend any terms of the Off-take Agreement or terminate or agree to terminate the Off-take Agreement without obtaining the prior written consent from the Company; and
- (iv) it will use its reasonable endeavours to procure Semizbay-U to enter into sales contracts with the Group based on terms and conditions set out under the Off-take Agreement.

As at the date of this announcement, the Company has obtained the written consent from KAP for the aforementioned assignment of Off-take Quantity from CGNPC-URC to the Group.

## **5. REASONS FOR AND BENEFITS OF THE ACQUISITION**

It is expected that the Acquisition will enable the Group to integrate its uranium trading business with upstream mining operations to maximise value and secure a stable supply of uranium through the indirect acquisition of partnership interest in Semizbay-U, an upstream uranium mining entity. The Board believes that the Acquisition also represents an excellent opportunity for the Group to expand its natural uranium trading business as the Company will be entitled to acquire the Off-take Quantity from Semizbay-U. It is expected to provide an attractive opportunity to acquire uranium resources, enhance the Group's strategic position as a platform for uranium resources investment and trading businesses and increase its overall competitiveness, business scale and shareholder value.

It is expected that the Acquisition will enable the Group to achieve the following objectives:

### **5.1 Secure the stable supply of the uranium products**

Upon Completion and pursuant to the undertaking given by CGNPC-URC as further elaborated under paragraph 4.3 of this announcement, the Group is entitled to purchase the Off-take Quantity, being 49% of Semizbay-U's total annual uranium production pursuant to the Off-take Agreement. According to the current annual production of Semizbay-U, it is expected that the annual Off-take Quantity to be purchased from Semizbay-U after the Completion will be approximately 600 tonnes uranium. Such volume accounts for approximately 90% of the total purchase volume of uranium of the Group in the year 2013. The right to purchase the Off-take Quantity from Semizbay-U will provide the Group with a stable supply of uranium products for the Group's uranium trading business.

The purchase price of uranium under the Off-take Agreement applicable to CGNPC-URC and, upon Completion, to the Group represents a 2% discount over the international uranium spot price. Combined with the Group experience in uranium trading where most of the Group's uranium sales are priced with reference to long-term benchmark pricing, which is typically higher than spot prices, the Group would be able to maximise value within the entire uranium product supply chain. Where the international uranium market is in a downturn and the uranium spot price is low, the purchase price under the Off-take Agreement will be very competitive as compared with other sources of uranium supply available to the Group. While Semizbay-U will record lower revenue, the Group would benefit from the lower purchase cost from Semizbay-U and enjoy higher trading margin, which will offset the loss of revenue for their 49% stake in Semizbay-U.

On the contrary, when the international uranium market picks up and the uranium spot price rises, the purchase price of uranium under the Off-take Agreement may increase as a result and the Group will have higher purchase cost from Semizbay-U and therefore lower trading margin. However, Semizbay-U will record higher revenue as the total annual production of Semizbay-U shall be fully underwritten by KAP and CGNPC-URC under the Off-take Agreement, and therefore, the Group, as the owner of the 49% partnership interest in Semizbay-U, would be able to enjoy the benefit of the increase in the revenue and profit of Semizbay-U through profit sharing.

## **5.2 Integrate upstream mining operations and expand the scale of natural uranium trading business**

The Group commenced the business of trading of natural uranium in 2011. Given that the expected strong demand for energy in the long term for development of the PRC economy, the Company anticipates that the nuclear power industry, and in turn the uranium and related industry in the PRC would be developing persistently in the future. To enhance competitiveness, the Group focuses on the expansion of the scale of the uranium trading business.

The combination of the Group's interest in upstream mining assets and the further development of its downstream trading business will enable the Group to optimize the industry chain of the uranium business and maximise returns to the Shareholders.

The Off-take Quantity provides an additional channel for the Group to acquire the natural uranium in the market for its trading business, which will in turn enlarge the scale of the Group's natural uranium trading business.

## **5.3 Provide investment opportunities in uranium resources**

The Group has repositioned itself as a platform for uranium resources investment and trading, leveraging on the background and expertise of CGNPC in the uranium industry to pursue business development and investment opportunities, which in turn diversifies the business model of the Group. Semizbay-U currently operates two uranium mines in production in the Republic of Kazakhstan. Please refer to the sub-paragraph "4.1 Mineral assets of Semizbay-U" for more information in this announcement. The Acquisition represents a great investment opportunity in uranium resources which the Company is proactively seeking.

## **5.4 Expand institutional investors' interest to support a market re-rating**

It is expected that upon Completion, the Enlarged Group will be uniquely positioned in the Hong Kong market with its significant interests in the upstream uranium assets in the Republic of Kazakhstan. The Company believes that the Enlarged Group, being the largest uranium group by production listed in Hong Kong, will make the Shares appealing to both institutional as well as retail investors domestically and internationally.



## 6. COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES OF THE ENLARGED GROUP

### 6.1 Competitive strengths

(i) *The Enlarged Group will be the largest uranium group by production listed in Hong Kong*

Semizbay-U is a uranium focused entity engaged in developing uranium mines and producing uranium products in the Republic of Kazakhstan. It currently owns and operates two producing mines: Irkol Mine and Semizbay Mine.

As of the date of this announcement, so far as the Directors are aware, there are no companies listed in Hong Kong which have similar levels of uranium production. Thus, upon Completion, the Enlarged Group, which will own 49% indirect interest in Semizbay-U's uranium mineral assets, will be uniquely positioned in the Hong Kong market as the largest uranium group by production with producing upstream mining assets and integrated uranium trading business. The Enlarged Group will provide a unique investment opportunity for investors to get exposure to the uranium sector and capitalize on the significant growth in the PRC nuclear power industry and the associated demand in uranium.

(ii) *The Enlarged Group will have substantial interest in large scale, high grade and low cost upstream uranium assets which are in production with long mine lives*

The Enlarged Group will own a substantial interest in upstream uranium mines in production with a track record since 2009. Semizbay-U produced approximately 1,161 tonnes uranium in 2013 and is expected to maintain its combined annual production at over 1,200 tonnes uranium for the remaining mining life of both mines. As at 31 December 2013, it has remaining JORC-compliant ore reserves of approximately 24,211 tonnes of contained uranium metal and remaining JORC-compliant mineral resources of totally approximately 39,794 tonnes of contained uranium metal.

The proved and probable uranium reserves may support a remaining mine life of over 15 years for Irkol Mine (based on the annual production of approximately 711 tonnes uranium and overall recovery of 90% for Irkol Mine) and over 18 years for Semizbay Mine (based on the annual production of approximately 508 tonnes uranium and overall recovery of 85% for Semizbay Mine).

The scale of the mines combined with high grade deposits and operational efficiency provide Semizbay-U with a competitive cost structure. The operating cost per pound of  $U_3O_8$  produced in Irkol Mine and Semizbay Mine in 2013 is US\$28 and US\$35, respectively. The average selling price of Semizbay-U in 2013 is approximately US\$32 per pound  $U_3O_8$ . This compares favourably to the Company's average selling price of over US\$50 per pound of  $U_3O_8$  in the past three years.

***(iii) The Enlarged Group's integrated uranium mining and trading businesses will maximize margin across the value chain***

The Enlarged Group will be an integrated uranium group with uranium upstream assets and trading business upon completion of the Acquisition. The Company is currently engaged in uranium trading business and is designated as CGNPC's overseas uranium assets platform.

The Company has long-term uranium sales agreements with CGNPC at a price, which is generally higher than the current uranium spot price. The integration of the upstream operation with trading business will provide the Enlarged Group with security of stable uranium supply while benefiting from the low cost structure of Semizbay-U's mines, enabling the Enlarged Group to capture the additional value from the lower uranium procurement costs. This would optimize the value for the Enlarged Group and maximize returns for its Shareholders.

***(iv) The mines are strategically located in the Republic of Kazakhstan, the world's leading uranium producer***

The Republic of Kazakhstan is currently the largest uranium producing country globally according to WNA, with uranium production of 21,317 tonnes in 2012, accounting for approximately 36.5% of the global uranium production. This represents a significant increase from approximately 27.6% in 2009 when the Republic of Kazakhstan surpassed Canada to become the world's largest mined uranium producer.

According to the International Atomic Energy Agency, the Republic of Kazakhstan has the second largest reasonably assured resources and inferred uranium resources of 629,000 tonnes at up to US\$50 per pound  $U_3O_8$  price, accounting for approximately 12% of global reasonable assured resources and inferred uranium resources as at the end of 2011. The abundant uranium resources in the Republic of Kazakhstan have attracted numerous major international uranium companies to establish operations in the country. CGNPC, Areva, Cameco and ARMZ-Uranium One all have sizeable operations in the Republic of Kazakhstan.

Substantially all production in the Republic of Kazakhstan is using ISR method, including Irkol Mine and Semizbay Mine. ISR method requires considerably lower capital costs to construct the mines, lower operating expenses and less manpower. Environmental impacts of ISR extraction are mitigated since ISR does not create waste by-products by extracting the ore to the surface. The ISR process mobilises less than 5% of the radioactive elements, the balance of which remains in the ground as compared to 100% mobilisation when conventional open-pit or underground mining methods are used. This significantly reduces the need for construction of re-cultivation ponds which are necessary to store radioactive waste from conventional mining methods.

**(v) *The Enlarged Group is well positioned to capitalize on increasing demand for uranium and growth of nuclear sector in China***

The global nuclear sector is expected to grow significantly and put pressure on the supply of uranium. At the end of 2012, there were about 435 nuclear reactors operating worldwide which required approximately 68,000 tonnes uranium. The total worldwide uranium supply for the same period amounted to 58,394 tonnes, representing a shortfall of approximately 14% of worldwide uranium demand. The shortfall was made up by secondary sources including stockpiled uranium held by utilities.

The global uranium demand will increase by 48% during the period from 2013 to 2023 and the global nuclear reactor capacity will increase by 34% during the same period, as estimated in the 2011 WNA Market Report. Many countries (China in particular) are forging ahead with construction of new power plants and maintain ambitious goals for adding significant nuclear generating capacity for the next 20 years.

Nuclear power sector in China benefits from robust regulatory framework and high level of government support given its important role in China's rapid economic development. Nuclear power has an important role in China, especially in the coastal areas remote from the coalfields and where the economy is developing rapidly. China's concerted nuclear expansion began with the National Development and Reform Commission's ("NDRC's") Tenth Economic Plan for the years 2001-2005, with increased self-reliance. As at April 2014, China has 20 operating nuclear power reactors with a total capacity of 17 GW according to WNA, with another 29 reactors under construction, 57 reactors on order or planned and 118 reactors proposed with total combined capacity of approximately 233 GW, approximately 12.7 times of the current capacity.

The increasing global uranium demand and strong growth potential in China's nuclear power sector would fuel the Enlarged Group's long-term sustainable growth.

**(vi) *The Enlarged Group is designated as the flagship and listed international upstream platform of CGNPC and is well positioned to leverage on CGNPC's relationships, expertise and support***

The Enlarged Group's ultimate controlling shareholder, CGNPC, was established in 1994, and has grown into one of China's two main nuclear power corporations which are owned and directly administered by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGNPC is mainly engaged in the business of investment, design, construction and operation of nuclear plants and the development of international uranium resources and nuclear equipment research and development and engineering.

CGNPC has a portfolio of high quality uranium assets, including Husab project in Namibian, the largest uranium mine globally under construction as of the date of this announcement. Based on the currently available information, the annual production of Husab project is expected to be the second largest worldwide upon commencement of production.

According to the experience in the past years, CGNPC-URC, the sole supplier of CGNPC, had agreed to exclusively source from the Company the entire amount of uranium products demanded by certain ender users of CGNPC based on a price as determined with reference to the arithmetic average prices of both the spot price index and long-term price index and the rational price expectation of the Company and CGNPC-URC, while the Company also retains the flexibility to sell to other third parties for higher price. The Company expects that such cooperation mechanism between CGNPC and the Company will continue in the foreseeable future.

The Enlarged Group will benefit from the strong support of CGNPC, including but not limited to, CGNPC's extensive relationships, funding support, industry expertise and future acquisition opportunities.

***(vii) The Enlarged Group has strong and experienced management team comprising domestic and international professionals***

The Board and senior management team of the Company comprise personnel with extensive industry knowledge and experience as well as many years of working experience in uranium exploration, extraction and trading business. Upon completion of the Acquisition, the senior management team of Semizbay-U will continue to be in charge of its day-to-day management and operational decisions. The Enlarged Group will also benefit from Semizbay-U's strong local workforce with extensive insights, knowledge and experiences in the region. Many of these senior management members of Semizbay-U have extensive local on-the-ground mining experience and possess the industry knowledge, skills and network with local government bodies and other authorities and organizations.

The combination of strong and experienced management team of PRC and international professionals will provide competitive advantage to the Enlarged Group and enhance the Group's performance in operation, safety, environment and social responsibilities. The Company believes that its management team possesses the leadership capabilities and qualifications required to develop its business and ensure its continued success.

## **6.2 Business strategies**

The Enlarged Group will continue to develop the natural uranium trading business and proactively identify uranium resource investment opportunities with a vision to become one of the world's leading uranium groups. The Company believes that this strategy is designed to deliver sustainable growth in shareholder value in the long run. The Enlarged Group will consider pursuing a number of strategic initiatives to achieve such goals, including:

**(i) *Continue to optimize the existing operations and pursue organic growth opportunities***

The Enlarged Group will continue to promote the optimization of the existing operations of two mines of Semizbay-U, including efficiency improvement and cost reduction.

The Enlarged Group will also look into the expansion potential of current resources and reserves through exploration at the appropriate time.

**(ii) *Continue to develop the trading business***

The Company has repositioned itself as a platform for uranium resources trading and investment since 2011. It has been engaged in the uranium trading business since 2011 and achieved significant revenue growth in 2012. Currently, the Company is exploring various business opportunities to increase revenue of trading business globally.

The Enlarged Group will continue to develop the natural uranium trading business worldwide. The integration of the Enlarged Group's interest in upstream mining assets and the further development of its downstream trading business will contribute strong cash flow, provide significant synergy and maximise returns to its Shareholders.

**(iii) *Pursue quality acquisition opportunities***

CGNPC has been active in acquiring upstream uranium resources globally and has a quality uranium asset portfolio, including the world-class Husab project. The Group will consider and evaluate the possibility of acquiring these assets as and when appropriate to build up the Group's portfolio of upstream uranium resources. The Enlarged Group will also continue to identify and evaluate acquisition opportunities globally, with focus on quality uranium assets in North America (especially Canada), Central Asia and Africa.

Through the pursuit of quality acquisitions, the Enlarged Group intends to further strengthen its global resources base and develop as CGNPC's global platform for consolidating upstream uranium resources.

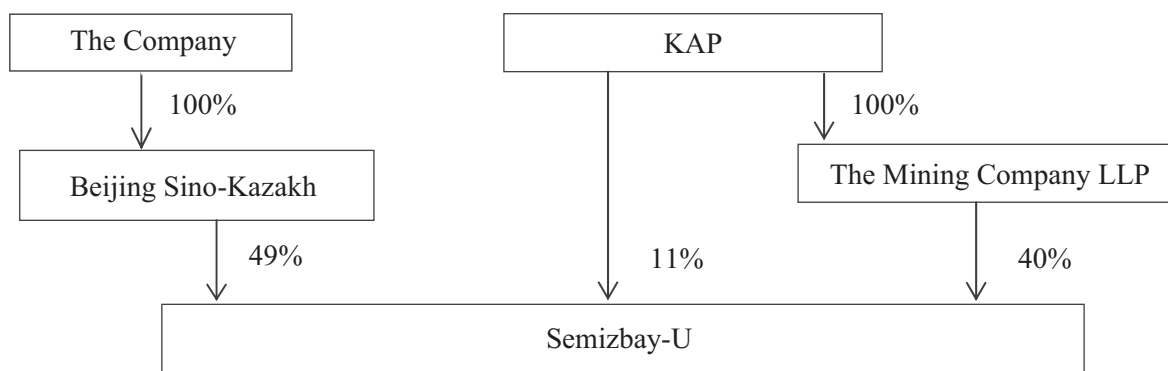
**(iv) *Continue to leverage on the expertise, experience and relationships of CGNPC***

The Enlarged Group will continue to leverage on the strong support from CGNPC including competitive price of off-take arrangement, low-cost financing from domestic and policy banks, insights and experiences in overseas acquisition and knowledge and relationships in PRC market. CGNPC, with a 9.4 GW installed nuclear power capacity and a 17.7 GW planned installed capacity under construction as at 31 March 2014, accounts for 59% of PRC installed nuclear capacity and 54% of PRC under-construction capacity, respectively. CGNPC's extensive expertise, experience and relationships will benefit the development of the Enlarged Group in the long term.

## 7. EFFECTS OF THE ACQUISITION ON THE COMPANY

Following Completion, Beijing Sino-Kazakh will become a direct wholly-owned subsidiary of the Company and its financial statements will be consolidated into those of the Group. Unaudited pro forma financial information of the Enlarged Group will be included in the circular to be despatched in due course to the Shareholders in relation to the Acquisition.

The following chart shows the shareholding structure of Beijing Sino-Kazakh and Semizbay-U upon Completion:



## 8. IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules.

In addition, China Uranium Development, a subsidiary of CGNPC-URC, is the controlling shareholder of the Company. As such, CGNPC-URC is a connected person of the Company by virtue of Rule 14A.11(4). The Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (other than the independent non-executive Directors) consider that the terms of the Share Purchase Agreement have been entered into on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Share Purchase Agreement. Gram Capital has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders on the same.

## 9. GENERAL INFORMATION

### 9.1 Information of the Group

The Group's original principal business used to be selling, distributing and manufacturing of pharmaceutical and food products and property investment. The Group has repositioned itself as a platform for uranium resources investment and trading after the successful completion of China Uranium Development's Share Subscription and CB Subscription on 18 August 2011.

### 9.2 Information of CGNPC-URC

CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. CGNPC-URC is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (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.

### 9.3 Other information

HSBC has been appointed as the financial adviser to the Company in connection with the Acquisition.

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Share Purchase Agreement and the transactions contemplated under the Share Purchase Agreement. China Uranium Development and its associates will abstain from voting on the resolutions approving the Share Purchase Agreement and the transactions contemplated under the Share Purchase Agreement.

A circular containing, among others, (i) further details of the Acquisition and the Share Purchase Agreement; (ii) financial and other information of Beijing Sino-Kazakh and Semizbay-U; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the Competent Person's Report and the Valuation Report as required under Chapter 18 of the Listing Rules; (v) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (vi) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (vii) the notice of the EGM, will be despatched to the Shareholders on or before 9 June 2014 in accordance with the Listing Rules.

**As Completion is subject to the fulfilment (or if applicable, waiver) of certain conditions set out in the sub-section headed "2. The Share Purchase Agreement – 2.6 Conditions precedent" in this announcement, the Acquisition may or may not proceed. The issue of this announcement does not in any way imply that the transaction under the Share Purchase Agreement will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares or other securities of the Company.**

## 10. DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the proposed acquisition of the Equity under the Share Purchase Agreement
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Beijing Sino-Kazakh”	Beijing Sino-Kazakh Uranium Resources Investment Company Limited* (北京中哈鈾資源投資有限公司), a limited liability company incorporated in the PRC
“Board”	the board of Directors of the Company
“CB Subscription”	the subscription of the convertible bonds with a principal amount of HK\$600.00 million issued by the Company pursuant to the subscription agreement dated 18 March 2011
“CGNPC”	China General Nuclear Power Corporation* (中國廣核集團有限公司, formerly known as 中國廣東核電集團有限公司China Guangdong Nuclear Power Holding Corporation, Ltd.*), the sole shareholder of CGNPC-URC and the ultimate controlling shareholder of the Company
“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
“Chapter 18 Valuation”	an independent valuation on Semizbay-U’s mineral assets as at 31 December 2013 undertaken by AVISTA Valuation Advisory Limited in compliance with Chapter 18 of the Listing Rules
“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“China Uranium Development”	China Uranium Development Company Limited (中國鈾業發展有限公司*), the controlling shareholder of the Company, holding approximately 50.11% equity interest in the Company as at the date of this announcement
“Company”	CGN Mining Company Limited (中廣核礦業有限公司*), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1164)
“Competent Evaluator”	has the meaning ascribed to it under Chapter 18 of the Listing Rules



“Competent Person’s Report”	has the meaning ascribed to it under Chapter 18 of the Listing Rules, the competent person’s report prepared by Blackstone Mining Associates Limited for inclusion in the circular to be despatched by the Company to the Shareholders in respect of the Acquisition
“Completion”	the completion of the sale and purchase of the Equity pursuant to the Share Purchase Agreement
“Completion Date”	the date on which the Completion is required to take place in accordance with the Share Purchase Agreement
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the relevant resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group immediately after the Completion
“Equity”	the entire equity interest of Beijing Sino-Kazakh, being RMB823.77 million, representing the entire registered capital of Beijing Sino-Kazakh
“Exploration Results”	as defined under the JORC Code, an ‘Exploration Result’ is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource
“Feasibility Study”	a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study

“Gram Capital” or “Independent Financial Adviser”	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 the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Group”	the Company and its subsidiaries
“GW”	gigawatt
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	the Hongkong and Shanghai Banking Corporation Limited, whose registered address is at 1 Queen’s Road Central, Hong Kong, is a registered institution under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), registered with the Securities and Futures Commission under Central Entity number AAA523 and registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong); the sole financial adviser to the Company in respect of the Acquisition
“IFRSs”	the International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely, Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong
“Independent Shareholders”	the Shareholders other than China Uranium Development and its associates

<p>“Indicated Mineral Resources”</p>	<p>as defined under the JORC Code, an ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.</p>
	<p>Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve</p>
<p>“Inferred Mineral Resources”</p>	<p>as defined under the JORC Code, a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.</p>
	<p>An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration</p>
<p>“Irkol Mine”</p>	<p>the Irkol mine located in the Kyzylorzhinsk area, 20 kilometres from Chiili town, the Republic of Kazakhstan, which is owned and operated by Semizbay-U as at the date of this announcement</p>
<p>“ISR”</p>	<p>in-situ recovery</p>
<p>“Joinder Agreement”</p>	<p>the joinder agreement to Semizbay-U Limited Liability Partnership Memorandum of Association entered into between Beijing Sino-Kazakh, KAP and The Mining Company LLP (a wholly-owned subsidiary of KAP) dated 10 December 2008, together with all subsequent amendments to such joinder agreement entered into between the parties from time to time</p>
<p>“JORC Code”</p>	<p>the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as amended from time to time</p>

“KAP”	National Atomic Company Kazatomprom, a joint-stock company established according to the laws of the Republic of Kazakhstan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Valuation”	an independent market valuation on Beijing Sino-Kazakh as at 31 December 2013 undertaken by AVISTA Valuation Advisory Limited
“Measured Mineral Resources”	as defined under the JORC Code, a ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve
“Mineral Resources”	as defined under the JORC Code, a ‘Mineral Resource’ is a concentration or occurrence of solid material of economic interest in or on the earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred Mineral Resource, Indicated Mineral Resource and Measured Mineral Resource categories
“Modifying Factors”	as defined under the JORC Code, ‘Modifying Factors’ are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
“Off-take Agreement”	the agreement dated 29 March 2013 entered into between KAP and CGNPC-URC on the basic principles of marketing (sale) policy with respect to the products of Semizbay-U pursuant to which CGNPC-URC shall be entitled to acquire the Off-take Quantity from Semizbay-U

“Off-take Quantity”	49% of Semizbay-U’s total annual uranium production which CGNPC-URC is entitled to acquire pursuant to the Off-take Agreement
“Ore Reserves”	as defined under the JORC Code, an ‘Ore Reserve’ is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by a Pre-Feasibility Study or a Feasibility Study as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are subdivided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves
“percentage ratio”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“Pre-Feasibility Study”	a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study
“Probable Ore Reserve”	as defined under the JORC Code, a ‘Probable Ore Reserve’ is the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve

“Proved Ore Reserve”	as defined under the JORC Code, a “Proved Ore Reserve” is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies high degree of confidence in the Modifying Factors. A Proved Ore Reserve represents the highest confidence category of reserve estimate and implies a high degree of confidence in geological and grade continuity, and the consideration of the Modifying Factors. The style of mineralisation or other factors could mean that Proved Ore Reserve is not achievable in some deposits.
“Purchase Price”	the sum of US\$133.00 million (equivalent to approximately HK\$1,030.75 million), being the consideration payable by the Company for the purchase of the Equity under the Share Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Semizbay Mine”	the Semizbay mine located in the Valihanov District of Akmoltnsk Oblast, the Republic of Kazakhstan, which is owned and operated by Semizbay-U as at the date of this announcement
“Semizbay-U”	Semizbay-U Limited Liability Partnership, a limited liability partnership established with legal entity status according to the laws of the Republic of Kazakhstan, the partnership interest of which is owned as to 49% by Beijing Sino-Kazakh and 51% by KAP (directly and indirectly) as at the date of this announcement
“Share Purchase Agreement”	the agreement for the sale and purchase of the Equity, representing the entire registered capital of Beijing Sino-Kazakh, dated 16 May 2014 entered into between the Company (as purchaser) and CGNPC-URC (as seller)
“Share Subscription”	the subscription of the 1,670,000,000 shares by China Uranium Development pursuant to the subscription agreement dated 18 March 2011
“Shareholders”	the shareholder(s) of the Company
“Share(s)”	the ordinary share(s) of the Company with a par value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	has the meaning ascribed to it under Chapter 18 of the Listing Rules, the valuation report prepared by AVISTA Valuation Advisory Limited for inclusion in the circular to be despatched by the Company to the Shareholders in respect of the Acquisition
“WNA”	World Nuclear Association
“%”	per cent

By Order of the Board  
**CGN Mining Company Limited**  
**Zhou Zhenxing**  
*Chairman*

Hong Kong, 16 May 2014

*As at the date of this announcement, the board of Directors of the Company comprises two executive Directors: Mr. Yu Zhiping (chief executive officer) and Mr. He Zuyuan, four non-executive Directors: Mr. Zhou Zhenxing (chairman), Mr. Chen Qiming, Mr. Xing Jianhua and Mr. Huang Jianming, and three independent non-executive Directors: Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong.*

\* *For identification purpose only*

*For the purpose of this announcement, unless otherwise indicated, the exchange rate at US\$1.00 = HK\$7.75 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.*

*The conversion ratio from kilogram uranium to pound  $U_3O_8$  is approximately 2.6.*