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

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**CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT;
MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 22 of this circular.

A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular.

A letter from Gram Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 45 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 December 2016 (Thursday) at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the Company’s branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* For identification purpose only

9 December 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM GRAM CAPITAL	25
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	App I-1
APPENDIX II – GENERAL INFORMATION	App II-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CGN Group”	CGNPC and its subsidiaries
“CGNPC”	中國廣核集團有限公司 (China General Nuclear Power Corporation*), the sole shareholder of CGNPC-URC and the ultimate controller of the Company
“CGNPC-URC”	中廣核鈾業發展有限公司 (CGNPC Uranium Resources Co., Ltd*), 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
“China Uranium Development”	China Uranium Development Company Limited, the controlling shareholder of the Company, holding approximately 72.02% issued share capital of the Company as at the Latest Practicable Date
“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 ₃ O ₈
“Director(s)”	the director(s) of the Company
“Effective Period”	a period of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days included)
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the New Framework Agreements and the transactions contemplated thereunder including the Proposed Annual Cap Amounts

DEFINITIONS

“Existing Financial Service Framework Agreement”	the framework agreement dated 22 January 2014 and entered into between the Company and Huasheng in relation to the provision of certain financial services by Huasheng to the Company
“Existing Framework Agreements”	collectively, the Existing Sales Framework Agreement and the Existing Financial Service Framework Agreement
“Existing Sales Framework Agreement”	the framework agreement dated 15 October 2013 and entered into between the Company and CGNPC-URC in relation to the sale of natural uranium by the Group to CGNPC-URC
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry on 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 appointed to advise the Independent Board Committee and the Independent Shareholders on the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts)
“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
“Huasheng”	CGNPC Huasheng Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CGNPC
“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 and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts)
“Independent Shareholders”	Shareholders other than China Uranium Development and its associates
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

DEFINITIONS

“Latest Practicable Date”	6 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mining Principles Agreement”	the Mining Principles Agreement on the joint development of Kazakhstan uranium deposit dated 4 October 2016 entered into between the Company and National Atomic Company Kazatomprom, a joint stock company established according to the laws of the Republic of Kazakhstan
“natural uranium”	uranium ore concentrates in the form of U ₃ O 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 Service Framework Agreement”	the framework agreement dated 6 December 2016 and entered into between the Company and Huasheng in relation to the provision of certain financial services by Huasheng to the Company
“New Framework Agreements”	collectively, the New Sales Framework Agreement and the New Financial Service Framework Agreement
“New 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 by the Group to CGNPC-URC and/or its subsidiaries
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“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 daily balance for the deposits placed by the Group with Huasheng (including any outstanding interest accrued thereon) from time to time for the three years ending 31 December 2019
“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 2019

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“TradeTech”	TradeTech of Denver Tech Centre, 7887 E. Belleview Avenue, Suite 888, Englewood, CO 80111, USA
“U ₃ O ₈ ”	natural uranium (not previously irradiated and containing not less than the nominal 0.711 weight percent 235U). The U ₃ O ₈ 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)
“US\$”	United States dollars, the lawful currency of the United States of America
“UxC”	The Ux Consulting Company, LLC
“%”	per cent

For the purpose of this circular, unless otherwise indicated, the exchange rates of US\$1= HK\$7.78 and RMB1= HK\$1.18 have been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

LETTER FROM THE BOARD



中广核礦業有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

Executive Directors:

Mr. Yu Zhiping (*chief executive officer*)

Mr. Xing Jianhua

Non-executive Directors:

Mr. Zhou Zhenxing (*chairman*)

Mr. Fang Chunfa

Mr. Wu Junfeng

Independent Non-executive Directors:

Mr. Qiu Xianhong

Mr. Gao Pei Ji

Mr. Lee Kwok Tung Louis

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Room 1903, 19/F.

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

9 December 2016

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS;
NEW SALES FRAMEWORK AGREEMENT;
MAJOR AND CONTINUING CONNECTED TRANSACTIONS;
NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2016, whereby it was announced that on 6 December 2016 (after trading hours), the Company entered into the New Framework Agreements for a terms of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

The purpose of this circular is to provide you with, among other things, (i) a letter from the Board containing further details of the New Framework Agreements; (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 together with the notice of the EGM.

* *For identification purpose only*

LETTER FROM THE BOARD

BACKGROUND

The Company entered into (i) the Existing Sales Framework Agreement with CGNPC-URC on 15 October 2013; and (ii) the Existing Financial Service Framework Agreement with Huasheng on 22 January 2014. The Existing Framework Agreements will expire on 31 December 2016. As the Group intends to continue to carry out the non-exempt continuing connected transactions under the Existing Framework Agreements after 31 December 2016, on 6 December 2016 (after trading hours), the Company entered into the New Framework Agreements for a terms of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

NEW SALES FRAMEWORK AGREEMENT

Date

6 December 2016

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 and/or its subsidiaries 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.

CGNPC-URC is the sole natural uranium supplier of CGNPC. The Group is not restricted to sell natural uranium to CGNPC-URC Group exclusively.

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 shall be for a term of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

LETTER FROM THE BOARD

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 a markup of 3.8%; 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 principles 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) afford-ability 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 parties 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 Group 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,

LETTER FROM THE BOARD

strong analytical skills, comprehensive data, and its team of external consultants, UxC is poised to provide 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, and 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 the 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 and consider that the price references are fair and reasonable.

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 2015 and the eight months ended 31 August 2016 under the Existing Sales Framework Agreement are as follows:

Historical annual cap amounts

For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
HK\$3,463,200,000	HK\$3,463,200,000	HK\$3,463,200,000

Historical transaction amounts

For the year ending 31 December 2014	For the year ending 31 December 2015	For the eight months ending 31 August 2016
HK\$1,147,920,000	HK\$700,391,000	HK\$512,410,678

LETTER FROM THE BOARD

Proposed Sales Annual Cap Amounts

The following table sets out the Proposed Sales Annual Cap Amounts for the three years ending 31 December 2019:

For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
HK\$752,000,000	HK\$2,520,000,000	HK\$2,620,000,000

Basis of the Proposed Sales Annual Cap Amounts

The Proposed Sales Annual Cap Amounts for the three years ending 31 December 2019 are determined by taking into account of the following factors:

(i) Growing demand from uranium market

As demonstrated in the Thirteenth Five-Year Plan for the National Economic and Social Development of the PRC, in recent years, the PRC government has placed strong emphasis on the development of nuclear power. The demand for natural uranium from the PRC is expected to grow steadily. In middle and long run, nuclear power will remain one of the indispensable sources of energy supply throughout the globe. Therefore, it is anticipated that natural uranium sourced by the Group could be consumed.

(ii) The Group's position as sole overseas uranium exploration and trading capital operation platform of CGN Group

The Company positions itself as the sole overseas uranium exploration and trading capital operation platform for CGN Group, responsible for acquisition and consolidation of overseas uranium resources. Yet, 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 production of low-cost natural uranium and natural uranium trading capability. In the future, the Company will continue to acquire high quality uranium mine.

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

	2017	2018	2019
TradeTech	US\$45.90	US\$51.20	US\$54.10
UxC	US\$38.21	US\$39.06	US\$38.51
Average	US\$42.06	US\$45.13	US\$46.31

LETTER FROM THE BOARD

(iv) Expected increase in sales volume

Reference is made to the announcement of the Company dated 14 December 2015 relating to the Group's participation in the development of a uranium producing mine project in Kazakhstan. Under such project, the Group shall have the right to acquire part of natural uranium output. It is expected that in the year ending 31 December 2018 and 2019, natural uranium available for sale by the Group will substantially increase.

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 and safety and quality control department of the Group and recommended for approval by the chief executive officer;
- (2) in the event that the contract price is lower than the floor price, the Group will re-negotiate with CGNPC-URC Group to make sure the contract price is no less than the floor price;
- (3) 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;
- (4) 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
- (5) 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 2016. The Group intends to continue with the trading of natural uranium 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 manage nuclear fuels and import and export natural uranium. Coupled with the facts that the Group, by entering into the New Sales Framework

LETTER FROM THE BOARD

Agreement, will become 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's with stable income sources as well as to 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 the Independent Financial Adviser) 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.

NATURAL URANIUM TRADING BUSINESS OF THE GROUP

Business Model

The Group is positioned as the sole overseas uranium exploration and trading capital operation platform of CGN Group. Its aim is to be one of the top suppliers of natural uranium resources for nuclear power plants. Its business strategy is to cover all the potential users while CGN Group as its basic and strategic market. The principal activities of the Group with respect to natural uranium trading are exploring and developing of uranium resources, trading of natural uranium products, and related investments. The business model of the Group is to invest and master the economic uranium resources, to achieve the off-take rights matched with its shareholding, then to provide nuclear power plants with natural uranium products with high quality, economic cost, and safe channel.

Self-owned natural uranium mines

As at the Latest Practicable Date, the Group owned 49% partnership interest in Semizbay-U Limited Liability Partnership ("**Semizbay-U**"), a limited liability partnership established with legal entity status according to the laws of the Republic of Kazakhstan. Semizbay-U in turn owned 100% interest in Irkol natural uranium mine and Semizbay natural uranium mine located in the Republic of Kazakhstan. The Group has the right to acquire 49% of Semizbay-U's total production of natural uranium at the price equal to 2% discount to the spot price.

According to the joint venture charter of Semizbay-U, the Group has the right to nominate the first deputy general manager and chief financial officer of Semizbay-U responsible for its management and operation, as well as deputy mine managers, deputy manager of finance department and senior engineers. As at the Latest Practicable Date, the Group had nominated six of its employees (including the first deputy general manager and chief financial officer of the Semizbay-U, deputy mine managers, and deputy manager of finance department) to Semizbay-U in order to enhance the control on operation cost.

Reference is made to the announcement of the Company dated 4 October 2016 in relation to the Mining Principles Agreement on the development of the new mining project in the Republic of Kazakhstan. Pursuant to the Mining Principles Agreement, it was agreed

LETTER FROM THE BOARD

that the Company shall be entitled to off-take the share in the total uranium product of the partnership which undertake the development of uranium producing mining deposits in Kazakhstan in proportion to their participatory interest in the partnership.

Sale of natural uranium

CGN Group has the largest nuclear power installed capacity in the PRC and the largest nuclear power projects under construction in the world. Given the natural uranium off-taken by the Group could only satisfy about 10% of CGN Group's demand on natural uranium, all natural uranium off-taken by the Group was sold to CGN-URC Group (one of the few companies which holds the import and export permits of natural uranium in the PRC) as at the Latest Practicable Date.

Under the prevailing unfavourable market condition, CGNPC-URC Group pays the Group a purchase price which is slightly higher than the market price in order to secure a long term and stable supply of natural uranium. In terms of the natural uranium sources of the Group and the purchase price, the Group has no better sales opportunities other than CGNPC-URC Group.

Profit margins

For the year ended 31 December 2015 and the six months ended 30 June 2016, the Group recorded a gross profit margin of 40.21% and 42.36%, respectively. The Group attributes high profit margins for its natural uranium trading business to the following:

- (a) The Group procures natural uranium from self-owned mines and entitled to 2% discount to the spot price.
- (b) The Group and CGNPC-URC Group, under their relationship of strategic suppliers and purchasers, have reached an agreement on a long term cooperation pricing mechanism based on the principles of fair sharing of risks and benefits, resulting in the Group's relatively high profit margin.
- (c) As the natural uranium industry is strictly regulated and needs special operation knowledge, only very few players are competing in the industry.

Reasons for CGN Group to purchase from the Group

The Group believes that CGN Group purchases natural uranium from the Group for the following reasons:

- (a) The Group is the only overseas platform for the development of natural uranium resources to ensure a stable development of nuclear power generation of CGN Group and it was established for the expansion into the upstream segment of the supply chain of nuclear power generation. CGN Group plans to reorganize all of its overseas natural uranium resources into the Group gradually and develop its

LETTER FROM THE BOARD

new natural uranium resources through the Group only. It makes reasonable commercial sense for CGN Group to choose to purchase natural uranium produced from self-owned mines of the Group with preference.

- (b) The Group can leverage on Hong Kong's advantage in the free-trade policy, no restrictions on foreign exchange dealings and easy access to financing and professional services. Through the Group's access to the capital market by virtue of its listing status and starts from natural uranium off-taking and trading, the Group tends to establish a complete business chain of nuclear fuel in order to support its future development.

Risks on reliance on CGN Group

For the year ended 31 December 2015 and the six months ended 30 June 2016, our sales of natural uranium to CGN Group in aggregate amounted to approximately HK\$700 million and HK\$259 million, respectively, representing approximately 99.57% and 99.61% of our total revenue, respectively. In the event, among other things, there is a reduction of the amount of natural uranium purchased from the Group by CGN Group; delay or cancellation of procurement plans by CGN Group due to the delay or cancellation of nuclear power plant projects; or the failure or inability of CGN Group to make timely payment for their purchases of natural uranium, the Group's results of operations will be materially and adversely affected.

Sale of natural uranium to overseas customers

The Group has its own stable off-take of natural uranium independent of CGN Group and it is expected the off-take will be increasing. It owns 49% equity interest and 49% production off-take in Semizbay-U and 19.99% equity interest in Fission Uranium Corporation ("**Fission**"), a Canadian company. Fission owns the world's third largest uranium deposit, the PLS (Patterson Lake South) project, with high grading and to be developed. It is expected that the new mining project in the Republic of Kazakhstan and other new projects will further increase and strengthen the independent sources of off-take of natural uranium of the Group.

Under the New Sales Framework Agreement, the Group is not restricted from selling natural uranium to third parties. The Group has the plan to extend its sale of natural uranium to energy companies in Europe, America and Asia when the price of natural uranium picks up or the off-take of natural uranium of the Group exceeds the demand by CGN Group.

The sales team of the Group has been, among other things, actively participated in industry conferences, conducting feasibility study on overseas markets and keep contact with potential customers (including potential customers in the Europe, America and Asia markets) to understand their needs, with a view to pathing the way for sales to overseas market. However, under the prevailing unfavourable market condition, sale of natural uranium by the Group to overseas customers is not in the best interest of the Group. Therefore, no consensus has been reached among the Group and potential overseas customers.

LETTER FROM THE BOARD

NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT

Date

6 December 2016

Parties

1. The Company; and
2. Huasheng.

Subject matter

1. Placement of deposits

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 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 Huasheng constitute money deposited by the Group with Huasheng. The terms and conditions of such deposits shall be subject to arm's length negotiations between the Group and Huasheng. Huasheng shall pay interest on such deposits.

2. Pricing mechanism

The interest payable by Huasheng to the Group shall be equal to or higher than (i) the relevant interest rate offered by Huasheng to other members of the CGN Group (other than members of the 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 Huasheng upon making deposits.

When the Group intends to place a deposit, it will first identify the nature of deposits (fixed or current or any other type), designated currency, period of maturity and other principal terms and conditions based on the needs of the Group. The Group will then obtain quotations from independent commercial banks in Hong Kong (including Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) regarding the interest rate and payment terms on deposits. Under the terms of the New Financial Service Framework Agreement, Huasheng shall offer equivalent or better terms in comparison with those terms offered by independent commercial banks to the Group. After providing with the offer of Huasheng, the Group is entitled to opt for placing the deposit with Huasheng or independent commercial banks or not placing the deposit at all. In any event, the Group shall not be obliged to place any deposits with Huasheng.

LETTER FROM THE BOARD

The maturity date will be determined by the Group but in any event will not exceed the term of the New Financial Service Framework Agreement. The interest payment terms by Huasheng will be the same as the general banking practices adopted by independent commercial banks in Hong Kong from time to time.

Huasheng shall provide monthly statements regarding the deposits and any interest accrued thereon to the Group. The Group shall also be entitled to request Huasheng to provide its financial and other relevant information from time to time.

Huasheng has not received third parties' deposits apart from CGN Group currently. The pricing mechanism regarding the placement of deposits by the Group with Huasheng is generally same as the deposits placed by other members of the CGN Group with Huasheng.

3. *Settlement services*

Huasheng may subject to compliance with the relevant laws and regulations offer settlement and similar services to the Group and the Group will pay settlement and similar charges as announced by independent commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) from time to time. Such settlement and similar services fees shall be (i) equal to or lower than the settlement and similar services fees charged by Huasheng to other members of the CGN Group (other than members of the Group) in settlement services arrangements; and (ii) equal to or lower than the settlement and similar services fees as announced by independent commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) from time to time for settlement and similar services provided by Huasheng.

4. *Loans and facilities*

Huasheng may grant loans and facilities to the Group subject to further arms' length negotiations between 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.

The New Financial Service Framework Agreement is on a non-exclusive basis. The entering into of the New Financial Service Framework Agreement shall not restrict the Group from using the services provided by independent commercial banks and financial institutions and shall not restrict Huasheng from providing services to other CGN Group members.

LETTER FROM THE BOARD

Conditions precedent

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

1. all necessary consents and approvals on the part of the Company in relation to the New Financial Service 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 Service Framework Agreement and the transactions contemplated thereunder; and
2. all necessary consents and approvals on the part of Huasheng in relation to the New Financial Service Framework Agreement and the transactions contemplated thereunder having been obtained.

Other than approval by the Independent Shareholders at the EGM and internal approvals of the Group and Huasheng respectively, no consents and approvals are required to be obtained.

None of the above conditions precedent can be waived. As at the Latest Practicable Date, other than the respective board of directors of the Company and Huasheng have approved the New Financial Service Framework Agreement, none of the above conditions precedent had been satisfied. In the event that the above conditions precedent cannot be fulfilled on or before 31 December 2016 (or such other date as the parties to the New Financial Service Framework Agreement may agree), the New Financial Service Framework Agreement shall be ceased and terminated.

Term

The New Financial Service Framework Agreement shall be for a term of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

Termination

Notwithstanding any provisions contained in the New Financial Service Framework Agreement, each of the Company and Huasheng is entitled to terminate the New Financial Service Framework Agreement at any time during the term of the New Financial Service Framework Agreement by giving at least one month written notice to the other party.

In the event of termination of the New Financial Service Framework Agreement, Huasheng shall return all the deposits (no matter whether due or not) together with interest accrued thereon to the Group.

Huasheng shall be required to return all the deposits to the Group immediate upon termination of the New Financial Service Framework Agreement and the interest accrued thereon will be calculated up to the date of such termination.

LETTER FROM THE BOARD

Historical deposit annual cap amounts

The historical deposit annual cap amounts, being the maximum daily balance of the deposits placed by the Group with Huasheng (including any interest accrued thereon) from time to time for the three years ending 31 December 2016 are as follows:

For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
US\$178 million	US\$178 million	US\$178 million

Proposed Deposit Annual Cap Amounts

The following table sets out the Proposed Deposit Annual Cap Amounts, being the maximum daily balance of the deposits placed by the Group with Huasheng (including any interest accrued thereon):

For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
US\$220 million (equivalent to approximately RMB1,447.6 million and approximately HK\$1,711.5 million)	US\$480 million (equivalent to approximately RMB3,158.4 million and approximately HK\$3,734.2 million)	US\$480 million (equivalent to approximately RMB3,158.4 million and approximately HK\$3,734.2 million)

Basis of the Proposed Deposit 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 2018 and 2019 represent the expected increase in trading volume of natural uranium as a result of the Group's participation in the development of a uranium producing mine project in Kazakhstan.

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 Service 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 Huasheng and making recommendations for approval by the finance department and the Chief Financial Officer of the Group. The application for placement of deposits shall be signed by two signatories of the Group;

LETTER FROM THE BOARD

- (2) the designated staff from the finance department of the Group will closely monitor the balance of the deposits placed with 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 Huasheng is less favourable than that provided by independent commercial banks in Hong Kong for the same period; or (b) the maximum daily balance of the deposits placed at Huasheng is anticipated to exceed the Proposed Deposit Annual Cap Amounts, the Company will not place deposits with Huasheng and/or transfer cash balance in the auto-transfer account to a non-auto-transfer account at independent commercial bank(s) before proceeding of 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 SERVICE FRAMEWORK AGREEMENT

The Existing Financial Service Framework Agreement will expire on 31 December 2016. The Group intends to continue with the transactions under the Existing Financial Service Agreement.

The purpose of setting up Huasheng is to provide loan, financial accommodation and deposits and settlement services to CGN Group. Through years of cooperation, Huasheng has 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 Huasheng's familiarity of the Group's industry and operations.

The transaction system and platform of 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 CGN Group members including the New Sales Framework Agreement, there will be needs for the Group to settle sums amongst members of the CGN Group. As Huasheng would at the same time provide similar intra-group financial services to other CGN Group members, it will provide a more expedite and efficient way for the Group to settle the balances (if any) between the Group and other CGN Group members through Huasheng instead of through independent commercial banks.

Although Huasheng is not a bank and there is default risk in the repayment of the deposits placed with it, the Group is satisfied that such risk is not significant having considered (i) there has not been any default by Huasheng in the past three years; (ii) the Group has closely monitored and will continue to closely monitor the deposits placed with

LETTER FROM THE BOARD

Huasheng; (iii) CGNPC has undertaken in writing to support the funding and liquidity requirements of Huasheng; and (iv) the Group will request Huasheng to provide its 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 Huasheng to the Group will be equal to or no less favourable than those offered by independent commercial banks in Hong Kong; and (ii) Huasheng provides diversified financial services for the Group and allows the Group to have additional flexibilities, the Directors (excluding all independent nonexecutive Directors whose views will be based on the opinion of the Independent Financial Adviser) are of the view that the terms and conditions of the New Financial Service Framework Agreement and the transactions contemplated thereunder (including the Proposed Deposit Annual Cap Amounts) are on normal commercial terms, 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 property investment, trading of natural uranium and other investments.

CGNPC-URC

CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 72.02% of the issued share capital of the Company as at the Latest Practicable Date. CGNPC-URC is therefore a connected person of the Company under the Listing Rules.

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

Huasheng

Huasheng is a company incorporated in Hong Kong with limited liability. Huasheng is a wholly-owned subsidiary of CGNPC and therefore a connected person of the Company under the Listing Rules. Huasheng is a licensed money lender under the Money Lender Ordinance in Hong Kong and the principal activities of Huasheng include providing settlement and similar services and taking deposits from members of the CGN Group and providing intra-group loan transactions among members of the CGN Group.

LETTER FROM THE BOARD

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 5% and the annual consideration is more than HK\$10,000,000, 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 Service Framework Agreement

The New Financial Service Framework Agreement and the transactions contemplated thereunder (including the intra-group financial services and the Proposed Deposit Annual Cap Amounts) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Placement of deposits

As Huasheng is not a banking company as defined under the Listing Rules, the placement of deposits by the Group with Huasheng under the New Financial Service 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 5% and the annual consideration is more than HK\$10,000,000, the placement of deposits under the New Financial Service Framework Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios with respect to the Proposed Deposit Annual Cap Amounts exceeds 25%, the placement of deposits under the New Financial Service Framework Agreement shall also constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

Settlement services

Since the fees and charges regarding the settlement and similar services to be paid by the Group to Huasheng on an annual basis are expected to be less than the de minimis threshold and the terms are on normal or better commercial terms, such transactions will be regarded as a de minimis continuing connected transaction and will be exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Loans and facilities

Since the loans and facilities to be granted by 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 reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

ABSTAIN FROM VOTING IN BOARD MEETING

Mr. Yu Zhiping, Mr. Zhou Zhenxing, Mr. Fang Chunfa and Mr. Wu Junfeng have abstained from voting to approve the New Framework Agreements in the Board meeting due to the fact that they are also directors of CGNPC-URC and/or management of CGNPC.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Mr. Lee Kwok Tung Louis, Mr. Qiu Xianhong and Mr. Gao Pei Ji, being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

INDEPENDENT FINANCIAL ADVISER

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

EGM

A notice of the EGM which will be held at Boardroom 3 – 4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 December 2016 (Thursday) at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolutions will be proposed at the EGM to seek Independent Shareholders' approval for the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

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

LETTER FROM THE BOARD

China Uranium Development and its associates, which have interests in the New Framework Agreements and held 4,278,695,652 Shares, representing approximately 72.02% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolutions concerning the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts) at the EGM.

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

RECOMMENDATION

The Directors consider that the terms of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts) are fair and reasonable and in the interests of the Group. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in Appendices I and II to this circular.

Yours faithfully,
By Order of the Board of
CGN Mining Company Limited
Mr. Yu Zhiping
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中广核矿业有限公司*
CGN Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

9 December 2016

To the Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
NEW SALES FRAMEWORK AGREEMENT
AND
MAJOR AND CONTINUING CONNECTED TRANSACTIONS:
NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT**

We refer to the circular dated 9 December 2016 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 22 of the Circular which contains information of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts), as well as the “Letter from Gram Capital” set out on pages 25 to 45 of the Circular which contains its advice in respect of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Gram Capital, we consider that the terms of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Cap Amounts).

Yours faithfully,
For and on behalf of
the Independent Board Committee
CGN Mining Company Limited

Mr. Qiu Xianhong **Mr. Gao Pei Ji** **Mr. Lee Kwok Tung Louis**
Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder for the purpose of inclusion in this circular.



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

9 December 2016

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 December 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Company entered into (i) the Existing Sales Framework Agreement with CGNPC-URC on 15 October 2013; and (ii) the Existing Financial Service Framework Agreement with Huasheng on 22 January 2014. The Existing Framework Agreements will expire on 31 December 2016. As the Group intends to continue to carry out the non-exempt continuing connected transactions under the Existing Framework Agreements after 31 December 2016, on 6 December 2016 (after trading hours), the Company entered into the New Framework Agreements for a terms of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

With reference to the Board Letter, the transactions contemplated under the New Sales Framework Agreement constitute continuing connected transactions for the Company (the “**Trading CCT**”). Accordingly, the Company is required to comply with the reporting, annual review, announcement, and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

Furthermore, the transactions contemplated under the New Financial Service Framework Agreement constitutes major and continuing connected transactions for the Company (the “**Deposit CCT**”, together with the Trading CCT, the “**CCTs**”). Accordingly, the Company is required to comply with the reporting, annual review, announcement, and Independent Shareholders’ approval requirements under the Listing Rules.

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

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors (excluding the IBC Members). We have assumed that all information and representations that have been provided by the Directors (excluding the IBC Members), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors (excluding the IBC Members), which have been provided to us. Our opinion is based on the Directors’ (excluding the IBC Members) representation and confirmation that there are no undisclosed private agreements/arrangements or implied

LETTER FROM GRAM CAPITAL

understanding with anyone concerning the New Framework Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the New Framework Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the principal activities of the Group are property investment, trading of natural uranium and other investments. Details of natural uranium trading business of the Group are set out under the section headed “Natural uranium trading business of the Group” of the Board Letter.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2015 and the six months ended 30 June 2016 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), respectively:

	For the six months ended 30 June 2016	For the year ended 31 December 2015	For the year ended 31 December 2014	Year on year change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited and restated)</i>	
Revenue	260,245	703,422	1,151,707	(38.92)
Profit for the year/ period from continuing operations	262,193	203,363	61,785	229.15
Profit/(loss) for the year from discontinued operations	–	94,640	(103,660)	N/A
Profit/(loss) for the year/ period	262,193	298,003	(41,875)	N/A
	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014	Year on year change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited and restated)</i>	
Amounts due from fellow subsidiaries	381,583	476,588	1,331,196	(64.20)
Bank balances and cash	43,717	285,528	233,655	22.20

As illustrated in the above table, for the year ended 31 December 2015, the revenue of the Group substantially decreased to approximately HK\$703.4 million, representing a decrease of approximately 38.92% as compared to that for the year ended 31 December 2014. As advised by the Directors (excluding the IBC Members), the aforesaid decrease in revenue was due to the fact that the Company suspended its trading of natural uranium with low gross profit margin. Despite the decrease in revenue from continuing operation in 2015,

LETTER FROM GRAM CAPITAL

the Group successfully turned losses into profits from 2014 to 2015. As advised by the Directors (excluding the IBC Members), the increase in profit in 2015 was mainly due to increase on gross profits and the one-off gain from the disposal of subsidiaries.

With reference to the 2016 Interim Report, among other things, the Company will actively promote the exploration work of Patterson Lake South project of Fission Uranium Corp. in summer of 2016, which can further enhance the resources of the project, and explore the resources potential of the project. At the same time, the Company will continue to promote and implement the cooperation of the new uranium project with Kazakhstan cooperation partners, and will continue to follow-up merger opportunities of project with good quality, which lay a foundation for the Company to gain advantage in the next uranium price cycle.

A. THE NEW SALES FRAMEWORK AGREEMENT

Information on CGNPC-URC

As advised by the Directors (excluding the IBC Members), to the best of their knowledge, CGNPC-URC is one of the enterprises in the PRC which is authorised to manage nuclear fuels and deal with the import and export of natural uranium. The core businesses of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (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.

Background of and reasons for the New Sales Framework Agreement

With reference to the Board Letter, the Existing Sales Framework Agreement will expire on 31 December 2016. Given that CGNPC-URC is one of the enterprises in the PRC which is authorised to manage nuclear fuels and deal with the import and export of natural uranium. Coupled with the facts that the Group, by entering into the New Sales Framework Agreement, will become 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's with stable income sources as well as to assist in developing the Group's expertise and experience in the uranium industry and enhance the Group's competitiveness in the future.

With reference to the 2015 Annual Report and 2016 Interim Report, the natural uranium trading has continued to be the main source of revenue of the Group. The natural uranium trading segment (i.e. transactions contemplated under the Existing Sales Framework Agreement) accounted for approximately 99.57% of the revenue of the Group for the year ended 31 December 2015 and approximately 99.61% of the revenue of the Group for the six months ended 30 June 2016, representing significant portion of the revenue of the Group. In addition, as advised by the Directors (excluding the IBC Members), the Trading CCT is entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis. Accordingly, we concur with the Directors (excluding the IBC Members) that it would be (i) impracticable to negotiate for numerous agreements/transactions with CGNPC-URC Group; and (ii) as

LETTER FROM GRAM CAPITAL

the case may be, costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

Having considered the above reasons and that the (i) Trading CCT will provide a stable source of income to the Group; (ii) revenue derived from the transactions contemplated under the Existing Sales Framework Agreement represented significant portion of the revenue of the Group; and (iii) it would be (a) impracticable to negotiate for numerous agreements/transactions with the CGNPC-URC Group; and (b) as the case may be, costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, we concur with the Directors (excluding the IBC Members) that the Trading CCT is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Principle terms of the New Sales Framework Agreement

Date: 6 December 2016

Parties: The Company; and
CGNPC-URC

Subject matter: Pursuant to the New Sales Framework Agreement:

- (i) the Group has agreed to sell and CGNPC-URC and/or its subsidiaries certain amount of natural uranium during the Effective Period; and
- (ii) the Group shall have the right of first offer to supply natural uranium demanded by CGNPC-URC Group during the Effective Period.

CGNPC-URC is the sole natural uranium supplier of CGNPC. The Group is not restricted to sell natural uranium to CGNPC-URC Group exclusively.

Term: 1 January 2017 and ending on 31 December 2019 (both days inclusive)

Pricing basis and payment terms

Pricing basis

With reference to the Board Letter, the price per pound of natural uranium (the “**Selling Price**”) 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

LETTER FROM GRAM CAPITAL

month (“**Pricing Policy**”), subject to a floor price and a ceiling price. The floor price is equal to the sum of (i) 50% of the arithmetic average prices of long-term price index at the signing date of the off-take contract between the Group and CGNPC-URC Group published by UxC and TradeTech plus a markup of 3.8%; 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 “**Floor Price**”). The ceiling price is to be negotiated and agreed by the parties based on the principles 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) afford-ability 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 (the “**Ceiling Price**”). Details of UxC and TradeTech are set out in the sub-section headed “Information on UxC and TradeTech” of the Board Letter.

For our due diligence purpose, we enquired into the Directors (excluding the IBC Members) and were advised by the them that using prices index published by UxC and TradeTech to determine prices of natural uranium are market practices commonly used by companies sourcing for natural uranium and the pricing mechanism for natural uranium under the New Sales Framework Agreement are in line with market practices. In addition, we noted from the circular made by CNNC International Limited (stock code: 2302) (the “**CNNC International**”, together with its subsidiaries, the “**CNNC International Group**”) on 15 May 2013 (the “**CNNC International Circular**”) that the contract price for the uranium products (to be supplied by CNNC International Group to its connected person) shall be determined with reference to the one-month, three-month, six-month, twelve-month arithmetic average prices of both the spot price index and long-term price index published by UxC and TradeTech and the rational price expectation of the CNNC International Group and its connected person from time to time. The CNNC International Group will make reference to the corresponding spot price or long term price depending on the term of delivery. To the best of our knowledge and confirmed by Directors (excluding the IBC Members), CNNC International Group and the Group are the only companies who is authorised to manage nuclear fuels and deal with the import and export of natural uranium and listed on main board of the Stock Exchange, accordingly we did not identify other public information which might indicate the possible market practice for the Trading CCT. With the above being the case, together with the representation made by the Directors (excluding the IBC Members) that using prices published by UxC and TradeTech to determine prices of natural uranium are market practices commonly used by companies sourcing for natural uranium, we concur with the Directors (excluding the IBC Members) that the pricing term for natural uranium under the New Sales Framework Agreement is on normal commercial terms and conforms to market practices.

We understand that the Group has adopted a series of internal control measures to govern the New Sales Framework Agreement. We have enquired into the Directors (excluding the IBC Members) and reviewed the internal control measures in this respect and particularly as to how the measures implemented. In this relation, we noted that the Group will implement both preventive and detective measures to monitor the Trading CCT, which includes, amongst others, (i) the trading department, finance

LETTER FROM GRAM CAPITAL

department, legal department and safety and quality control department of the Group must have initialed and reviewed the terms and condition of each transaction and recommended for approval by the chief executive officer; (ii) in the event that the contract price is lower than the Floor Price, the Group will re-negotiate with CGNPC-URC Group to make sure the contract price is no less than the Floor Price; (iii) the designated staff from the trading department of the Group will observe the transaction price before entering into each of the transaction under the Trading CCT to ensure the selling price is comparable to the reference price sourced from UxC and TradeTech; (iii) the designated staff from the finance department of the Group will closely monitor the total transaction amount to ensure that the Proposed Sales Annual Cap Amounts will not be exceeded before entering into each of the transaction under the Trading CCT; (iv) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Trading CCT; and (v) auditors of the Company will perform evaluation and review on the measures and review Trading CCT annually, we consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Trading CCT according to the pricing policy.

Payment terms:

With reference to the Board Letter, save as otherwise mutually agreed by the parties 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 Group 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.

As advised by the Directors (excluding the IBC Members), the Group also has a 30 calendar-day credit period when it sources natural uranium as a purchaser from other suppliers. For our due diligence we noted from (i) the 2015 Annual Report and 2016 Interim Report that all of the age of trade and other payables were within 30 days; and (ii) the CNNC International Circular that the prices payable to the CNNC International Group will be settled by its connected person within one month from completion of each purchase of uranium products. Accordingly, we considered that the credit period is acceptable.

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

Proposed annual caps

The table below set out are (i) the historical transaction amounts of the transactions contemplated under the Existing Sales Framework Agreement; (ii) the historical annual caps amounts under the Existing Sales Framework Agreement for the

LETTER FROM GRAM CAPITAL

two years ended 31 December 2015 and the year ending 31 December 2016; and (iii) the proposed annual caps for the three years ending 31 December 2019 under the New Sales Framework Agreement (the “**Trading Cap(s)**”):

	For the year ended 31 December 2014 <i>HK\$'000</i>	For the year ended 31 December 2015 <i>HK\$'000</i>	For the eight months ended 31 August 2016 <i>HK\$'000</i>
Historical transaction amounts	1,147,920	700,391	512,411
	For the year ended 31 December 2014 <i>HK\$'000</i>	For the year ended 31 December 2015 <i>HK\$'000</i>	For the year ending 31 December 2016 <i>HK\$'000</i>
Historical annual caps amounts	3,463,200	3,463,200	3,463,200
	For the year ending 31 December 2017 <i>HK\$'000</i>	For the year ending 31 December 2018 <i>HK\$'000</i>	For the year ending 31 December 2019 <i>HK\$'000</i>
Trading Caps	750,000	2,520,000	2,620,000

The Trading Caps for the three years ending 31 December 2019 are determined by taking into account of the following factors:

- (i) growing demand from uranium market;
- (ii) the Group’s position as sole overseas uranium exploration and trading capital operation platform of CGN Group;
- (iii) TradeTech’s and UxC’s long term price predictions and average prices per pound; and
- (iv) expected increase in sales volume.

For our due diligence purpose, we have enquired and obtained a list (the “**List**”), showing (i) the demand for the natural uranium from the CGNPC-URC Group for each of the three years ending 31 December 2019; (ii) expected average selling price of the natural uranium (the “**Average Selling Price**”), for the determination of the Trading Caps for the three years ending 31 December 2019.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained five copies of invoice regarding the provision of natural uranium by the Group to CGNPC-URC Group during 2015 and 2016 under the Existing Sales Framework Agreement. In addition, we also noted that when determining the estimated average selling price of natural uranium, the Directors (excluding the IBC Members) have taken into account of an annual increase of 3.8% on the Average Selling Price as compared to the Average Selling Price in previous year. We noted from the aforesaid selected invoices that the average selling price of the natural uranium in 2016 represents an increase of approximately 3.8% as compared to that in 2015. Accordingly, we considered that the annual increase of 3.8% on the Average Selling Price is acceptable and the Average Selling Price for the year ending 31 December 2017 is justifiable.

Furthermore, we have discussed with the Directors (excluding the IBC Members) the estimated demand of the natural uranium for the year ending 31 December 2017 (the “**2017 Demand**”). During our discussion, we understood that on 29 March 2013, CGNPC-URC and National Atomic Company Kazatoprom (the “**KAP**”), which indirectly controlled 49% and 51% partnership interest in Semizbay-U Limited Liability Partnership (“**Semizbay-U**”) as at 29 March 2013, respectively, entered into an off-take agreement (the “**Off-take Agreement**”). Pursuant to the Off-take Agreement, CGNPC-URC and KAP are entitled to acquire and will fully underwrite 49% and 51% of Semizbay-U’s total annual production respectively, with effect from 1 January 2013 (the “**Off-take Quantity**”). The term of the Off-take Agreement is for the period of the duration of Semizbay-U and will be terminated on the date on which Beijing Sino-Kazakh Uranium Resources Investment Limited ^(Note), which was a directly wholly-owned subsidiary of CGNPC-URC as at the date of the Off-take Agreement, ceases to be a holder of the partnership interest in Semizbay-U. 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. Pursuant to an undertaking given by CGNPC-URC dated 16 May 2014 (the “**Undertaking**”), CGNPC-URC undertook to the Company that, from the date of the Completion (as defined in the Previous Circular) and for the entire term of the Off-take Agreement, CGNPC-URC will, among other things, (i) irrevocably and exclusively designate the Group to purchase the entire Off-take Quantity from Semizbay-U; (ii) not purchase and 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. Save for the terms of the Off-take Agreement as mentioned above, other details of the Off-take Agreement and the Undertaking were set out in the circular of the Company dated 30 June 2014 (the “**Previous Circular**”). Furthermore, we noted from the Previous Circular that according to the annual production of Semizbay-U, it is expected that the annual Off-take Quantity of natural uranium to be purchased from Semizbay-U after the Completion (as defined in the Previous Circular) will be approximately 600 tonnes (the “**2017 Expected Purchase Volume**”).

Note: In April 2015, the Company completed the acquisition of 100% equity interest in Beijing Sino-Kazakh Uranium Resources Investment Company Limited.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we requested and obtained (i) the Off-take Agreement; (ii) the Undertaking; and (iii) historical volume of natural uranium as purchased by the Company and re-sell to CGNPC-URC for the two years ended 31 December 2015 and the eight months ended 31 August 2016. We noted from the historical volume that (i) the Group purchased the entire Off-take Quantity; (ii) the Group re-sell the entire Off-take Quantity; and (iii) the Off-take Quantity represented approximately 49% of Semizbay-U's total annual uranium production, for the two years ended 31 December 2015 and the eight months ended 31 August 2016 respectively. In addition, we also noted that the Off-take Quantity was close to the 2017 Expected Purchase Volume for each of the two years ended 31 December 2015. In light of the aforesaid factors as well as that the 2017 Demand is in line with the 2017 Expected Purchase Volume, we consider that the 2017 Demand is reasonable.

Having considered that (i) the estimated price is in line with the selling prices of the natural uranium as supplied by the Group to CGNPC-URC Group in 2016; and (ii) the 2017 Demand is reasonable, we are of the view that the Trading Cap for the year ending 31 December 2017 is fair and reasonable.

We noted that the Trading Cap for the year ending 31 December 2018 represented an increase of approximately 236% as compared to the Trading Cap for the year ending 31 December 2017 (the "**2018 Trading Cap Increase**").

According to the List, the 2018 Trading Cap Increase was mainly due to the increase of approximately 222.6% in the estimated demand of the natural uranium by CGNPC Group from the Group for the year ending 31 December 2018 as compared to the 2017 Demand (the "**2018 Demand Increase**").

For our due diligence purpose, we discussed with the Directors (excluding the IBC Members) regarding the 2018 Demand Increase and understood that the 2018 Demand Increase was mainly due to the expected increase in the production capacity of natural uranium of the Group from 2018. We understood that on 14 December 2015, the Company and CGNPC, CGNPC-URC, KAP and Ulba Metallurgical Plant (collectively, the "**Parties**") entered into an agreement to record their respective rights and obligations with respect to (i) the incorporation and operation of a limited liability partnership to be incorporated in Kazakhstan to undertake the development of a fuel assemblies fabrication plant in Kazakhstan; (ii) an entity (the "**Entity**") to be incorporated in Kazakhstan to undertake the development of a uranium producing mine in Kazakhstan (the "**Mining Project**"). On 4 October 2016, the Company and KAP entered into the Mining Principles Agreement (as supplemented by an amendment agreement dated 6 December 2016) to further record their respective rights and obligations with respect to the commercial obligations of the Parties to implement the Mining Project. Pursuant to the Mining Principles Agreement, among other things, (i) KAP will sell and the Company or an affiliate of the Company as nominated by the Company or an affiliate of CGNPC as nominated by CGNPC will buy 49% participatory interest in the charter capital of the Entity; and (ii) the Company and KAP shall off-take the share in the total uranium product of the Entity in proportion to their participatory interests. Furthermore, as advised by the Directors (excluding the IBC Members), the expected production capacity of the Mining Project is

LETTER FROM GRAM CAPITAL

approximately 3,000 tonnes per annum for 2018 and 2019 (the “**2018&2019 Expected Purchase Volume**”) and accordingly, based on the aforesaid off-take arrangement, the Company expected to purchase 1,470 tonnes uranium product from the Entity for 2018 and 2019. The 2018&2019 Expected Purchase Volume represents an increase of approximately 245% (the “**Increase in Expected Purchase Volume**”) as compared to the 2017 Expected Purchase Volume and the 2018 Demand Increase is in line with the Increase in Expected Purchase Volume.

In light of the Mining Project as mentioned above, we do not doubt the production capacity of natural uranium of the Group for the two years ending 31 December 2019.

Furthermore, we also understood from the Directors (excluding the IBC Members) that, based on the public information, as at the 5 September 2016, CGNPC operates 18 機組 (nuclear power units*) with the total capacity of approximately 19.3 million kilowatts. In the meantime, 10 nuclear power units with the total capacity of approximately 12.4 million kilowatts has been under construction. As further advised by the Directors (excluding the IBC Members), based on the historical operational data, it would cost approximately 200 tonnes of natural uranium per year to operate the aforesaid nuclear power unit. Accordingly, the demand of natural uranium amounted to over 5,000 tonnes per annum.

In light of the above factors and that the Company positions itself as the sole overseas uranium exploration and trading capital operation platform for CGNPC Group (details of which are set out under the section headed “Basis of the Proposed Sales Annual Cap Amounts” of the Board Letter), we consider that the 2018 Demand Increase to be acceptable.

Furthermore, we noted that the Average Selling Price for 2018 represents an increase of approximately 3.8% as compared to the Average Selling Price for 2017, which is in line with the annual increase of 3.8% on the Average Selling Price as compared to the previous Average Selling Price as mentioned above.

In light of the above factors, we consider that the Trading Cap for the year ending 31 December 2018 is fair and reasonable.

We noted that the Trading Cap for the year ending 31 December 2019 represented an increase of approximately 4.0% as compared to the Trading Cap for the year ending 31 December 2018 (the “**2019 Trading Cap Increase**”). The 2019 Trading Cap Increase is in line with the annual increase of 3.8% on the Average Selling Price as compared to the previous Average Selling Price as mentioned above. Accordingly, we consider that the Trading Cap for the year ending 31 December 2019 is fair and reasonable.

In light of the above, we are of the view that the terms basis and terms of the New Sales Framework Agreement (including the Trading Caps for the year ending 31 December 2019) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the Trading Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2019, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the New Sales Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/income to be incurred from the transactions contemplated under the New Sales Framework Agreement will correspond with the Trading Caps.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Trading CCT must be restricted by the Trading Caps for the three years ending 31 December 2019; (ii) the terms of the New Sales Framework Agreement (including the Trading Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the New Sales Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Trading CCT (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the Trading Caps. In the event that the total amounts of the Trading CCT are anticipated to exceed the Trading Caps, or that there is any proposed material amendment to the terms of the New Sales Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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

Recommendation

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

LETTER FROM GRAM CAPITAL

B. THE NEW FINANCIAL SERVICE FRAMEWORK AGREEMENT

Information on Huasheng

As advised by the Directors (excluding the IBC Members), Huasheng is a company incorporated in Hong Kong with limited liability in 2010. Huasheng is a licensed money lender under the Money Lender Ordinance in Hong Kong and the principal activities of Huasheng include providing settlement and similar services and taking deposits from members of the CGNPC Group and providing intra-group loan transactions among members of the CGNPC Group. As at 30 June 2016, the cash and bank balances and net assets of Huasheng were approximately RMB2,306.95 million and approximately RMB211.60 million respectively.

As mentioned above, Huasheng is a licensed money lender under the Money Lender Ordinance in Hong Kong. The provision of the financial services by Huasheng to the Group pursuant to the New Financial Service Framework Agreement will take place in Hong Kong. Huasheng, being a licensed money lender, is regulated under the Money Lender Ordinance and the enforcement of which is undertaken by the Commissioner of Police. The Commissioner of Police may in writing require Huasheng, as the applicant for the licence, to produce for inspection such books, records or documents or to furnish such information relating to the application or any business carried on or intended to be carried on by it as the Commissioner of Police may specify and the same shall be applied for the renewal of licence for every 12 months.

For our due diligence purpose, we have reviewed the operation manual of Huasheng and noted that Huasheng has established a range of corporate governance and internal control measures in order to manage its risk profile including its business and financial risk.

Taking into account of the above factors, in particular, (i) Huasheng is a licensed money lender under the Money Lender Ordinance in Hong Kong; and (ii) Huasheng has established a range of corporate governance and internal control measures to manage its risk profile, we do not doubt the eligibility of Huasheng to provide the deposit services to the Group.

Background of and reasons for the New Financial Service Framework Agreement

With reference to the Board Letter, the Existing Financial Service Framework Agreement will expire on 31 December 2016. The purpose of setting up Huasheng is to provide loan, financial accommodation and deposits and settlement services to the CGN Group. The Group is expected to benefit from Huasheng's familiarity of the Group's industry and operations. Through years of cooperation, Huasheng has 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 independent financial institutions in Hong Kong.

LETTER FROM GRAM CAPITAL

The transaction system and platform of Huasheng are not open to the general public and as such, the Group believes that it is more secured than the transaction systems and platforms offered by independent commercial banks.

Given the Group has continuing connected transactions with other CGN Group members including the New Sales Framework Agreement, there will be needs for the Group to settle sums amongst members of the CGN Group. As Huasheng would at the same time provide similar intra-group financial services to other CGN Group members, it will provide a more expedite and efficient way for the Group to settle the balances (if any) between the Group and other CGN Group members through Huasheng instead of through independent commercial banks.

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

Having considered the above reasons and that the (i) background of Huasheng; and (ii) the interest rate offered by Huasheng shall be equal to or higher than (a) the relevant interest rate offered by Huasheng to other members of the CGN Group (other than members of the Group) in similar arrangement; and (b) the deposits interest rate as quoted by independent commercial banks in Hong Kong from time to time, we concur with the Directors (excluding the IBC Members) that the Deposit CCT is in the interests of the Company and the Shareholders as a whole.

Principle terms of the New Financial Service Framework Agreement

Date: 6 December 2016

Parties: The Company; and
Huasheng

LETTER FROM GRAM CAPITAL

Subject matter: Pursuant to the New Financial Service Framework Agreement in regards to placement of deposits:
The Group shall authorise its third party commercial bank to link in its account as a participant account to a cash pooling master settlement account maintained by Huasheng in the same third party commercial bank, which allows auto-transfer of cash balance in the participant account (the “**Auto-transfer Account**”) to the cash pooling master account (the “**Auto-transfer**”). The sums transferred to Huasheng constitute money deposited by the Group with Huasheng. The terms and conditions of such deposits shall be subject to arm’s length negotiations between the Group and Huasheng. Huasheng shall pay interest on such deposits.

Tenure: from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

With reference to the Board Letter, when the Group intends to place a deposit, it will first identify the nature of deposits (fixed or current or any other type), designated currency, period of maturity and other principal terms and conditions based on the needs of the Group. The Group will then obtain quotations from independent commercial banks in Hong Kong (including Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) regarding the interest rate and payment terms on deposits. Under the terms of the New Financial Service Framework Agreement, Huasheng shall offer equivalent or better terms in comparison with those terms offered by independent commercial banks to the Group. After providing with the offer of Huasheng, the Group is entitled to opt for placing the deposit with Huasheng or independent commercial banks or not placing the deposit at all. In any event, the Group shall not be obliged to place any deposits with Huasheng.

The interest rate payable by Huasheng to the Group shall be equal to or higher than (i) the relevant interest rate offered by Huasheng to other members of the CGN Group (other than members of the Group) in similar arrangement; and (ii) the deposits interest rate as announced by independent commercial banks in Hong Kong (such as Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited) from time to time.

The payment terms of the interest shall be determined between the Group and Huasheng upon making deposits.

For our due diligence purpose, we enquired and obtained deposit certificates of the Group showing the interest rate on deposits received from (a) Hong Kong independent commercial banks; and (b) Huasheng for similar period, and noted that the interest rate provided by Huasheng is not less than the interest rate provided by Hong Kong independent commercial banks in similar period.

We understand that the Group has adopted a series of internal control measures to govern the New Financial Service Framework Agreement. We have enquired into the Directors (excluding the IBC Members) and reviewed the internal control measures in

LETTER FROM GRAM CAPITAL

this respect and particularly as to how the measures implemented. In this relation, we noted that the Group will implement both preventive and detective measures to monitor the Deposit CCT, which includes, amongst others, before each of the placement of deposit under the Deposit CCT, (i) the fund manager of the Group is responsible for obtaining quotations on interest rates and payment terms from independent commercial banks and offer from Huasheng and making recommendations for approval by the finance department and the Chief Financial Officer of the Group. The application for placement of deposits shall be signed by two signatories of the Group; (ii) the designated staff from the finance department of the Group will monitor the balance of the deposits placed with Huasheng on a daily basis to ensure that the Proposed Deposit Annual Cap Amounts will not be exceeded; (iii) in the event that the fund manager of the Group notes that (a) the interest rate provided by Huasheng is less favourable than that provided by Hong Kong independent commercial banks for the same period; and/or (b) the maximum daily balance in Huasheng is anticipated to exceed the Deposit Caps, the Company will (a) not place deposits into Huasheng; and/or (b) transfer cash balance in the Auto-transfer Account to a non-Auto-transfer Account under independent commercial bank(s) before proceeding of the Auto-transfer; and (iv) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the Deposit CCT; and (v) auditors of the Company will perform evaluation and review on the measures and review Deposit CCT annually.

Taking into account of the above, we consider that the implementation of the internal control measures of the Company would help to ensure fair pricing of the Deposit CCT contemplated under the New Financial Service Framework Agreement according to the pricing policies.

In light of the above, we are of the view that the terms of the Deposit CCT are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Proposed annual caps

The table below sets out the historical maximum deposits amounts, historical annual cap under the Existing Financial Service Framework Agreement and the proposed annual caps (the “**Deposit Cap(s)**”) for the three years ending 31 December 2019 under the New Financial Service Framework Agreement:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the eight months ended 31 August 2016
Historical deposits amount	<i>Approximate US\$'million</i>	<i>Approximate US\$'million</i>	<i>Approximate US\$'million</i>
Placement of deposits	126.08	171.43	49.21
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016
Historical annual cap amounts	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
Placement of deposits	178	178	178
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
The Deposit Caps	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
Placement of deposits	220	480	480

The Deposit Caps for the three years ending 31 December 2019 were determined with reference to the following factors:

- (i) the Group’s cashflow movements and level of deposits with independent commercial banks in Hong Kong;
- (ii) the cash balance of the Group; and
- (iii) the requirements to settle sums among members of the CGN Group and/or any other third parties.

With reference to the 2015 Annual Report and 2016 Interim Report, the bank balances and cash was approximately HK\$285,528,000 as at 31 December 2015 and approximately HK\$43,717,000 as at 30 June 2016 respectively.

LETTER FROM GRAM CAPITAL

We noted from the 2016 Interim Report, on 18 December 2015, the Company (as borrower) entered into a facility agreement with Huasheng, the Company was granted a facility of US\$300 million for a period of 3 years at the annual interest rate of 3 months Libor (which was stated two days before the withdrawal date) plus 2.5%. As mentioned above, the interest rate offered by Huasheng to the Group at any time (the “**Interest Rate**”) shall be equal to or higher than (i) the relevant interest rate offered by Huasheng to other members of the CGN Group (other than members of the Group) in similar arrangement; and (ii) the deposits interest rate as announced by independent commercial banks in Hong Kong from time to time in similar arrangement. As such, the Company proposed to place the unused borrowing amount of the aforesaid facility agreement into the Company’s account with Huasheng.

With reference to the Board Letter, (i) the interest rates on deposits to be offered by Huasheng to the Group will be equal to or higher than those offered by independent commercial banks in Hong Kong; and (ii) the settlement and similar services offered by Huasheng to the Group will facilitate more efficient settlement for intra-group transactions and reduces transaction costs and expenses, thereby further enhances the quality and efficiency of capital utilization. We understood that the payment of natural uranium to the Group by the CGNPC-URC Group may be transferred to the Auto-transfer Account and such amount would be auto-transferred to the Group’s account with Huasheng. For the avoidance of the Deposit Caps for the year ending 31 December 2019 being exceeded, the Directors (excluding the IBC Members) also took into account of the estimated maximum demand of natural uranium by CGNPC-URC for the three years ending 31 December 2019, i.e. the Trading Caps, when determine the Deposit Caps for the three years ending 31 December 2019.

Despite that the sum (the “**Sum**”) of Group’s amounts due from fellow subsidiaries (i.e. Huasheng) and bank balances and cash as at 30 June 2016 represented a substantial decrease as compared to those as at 31 December 2015, having considered the above factors, in particular (i) the Sum as at 30 September 2016 represented an increase of 78% as compared to those as at 30 June 2016; (ii) the Company proposed to place the unused borrowing amount of the aforesaid facility agreement into the Company’s account with Huasheng; and (iii) the Group shall authorise its third party commercial bank to link in its account as a participant account to a cash pooling master settlement account maintained by 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, we considered that the Deposit Cap for the year ending 31 December 2017 is fair and reasonable.

We noted that the Deposit Cap for the year ending 31 December 2017 represented an increase of approximately 118% as compared to the Deposit Cap for the year ending 31 December 2016 (the “**2017 Deposit Cap Increase**”).

Having considered that (i) the Trading Cap, which indicate the proposed sales amount of the natural uranium, for the year ending 31 December 2018 represented an increase of approximately 236% as compared to the Trading Cap for the year ending 31 December 2017; (ii) the payment of natural uranium to the Group by the CGNPC-URC

LETTER FROM GRAM CAPITAL

Group may be transferred to the Auto-transfer Account and such amount would be auto-transferred to the Group's account with Huasheng, we considered that the 2017 Deposit Cap Increase is acceptable.

In addition, as mentioned above, the Trading Cap for the year ending 31 December 2019 represented an increase of approximately 4.0% as compared to the Trading Cap for the year ending 31 December 2018. As such, the Deposit Cap for the year ending 31 December 2019, which is the same as the Deposit Cap for the year ending 31 December 2018, is fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Deposit CCT must be restricted by the Deposit Caps for the period concerned under the New Financial Service Framework Agreement; (ii) the terms of the New Financial Service Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the New Financial Service Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Deposit CCT (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the max amounts are anticipated to exceed the Deposit Caps, or that there is any material amendment to the terms of the New Financial Service Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit CCT and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the New Financial Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Deposit CCT is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the New Financial Service

LETTER FROM GRAM CAPITAL

Framework Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the annual reports of the Company for the years ended 31 December 2013 (pages 73-187), 2014 (pages 73-195) and 2015 (pages 80-213) and the interim report of the Company for the six months ended 30 June 2016 (pages 27-72), respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cgnmc.com).

2. STATEMENT OF INDEBTEDNESS

At the close of business on the Latest Practicable Date, the Group did not have bank borrowing. As at the Latest Practicable Date, the Group had not applied banking facilities except US\$300 million facility granted by Huasheng which is unsecured and not guaranteed. No bank balances or cash is pledged as collateral.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on the Latest Practicable Date. Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on the Latest Practicable Date.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS

Synthetically analyzing the positive and negative factors in the natural uranium market in full, it is expected that the imbalance between supply and demand will still exist in the second half of 2016 and the supply of natural uranium in the world will still exceed the demands. Since spot prices of natural uranium at present are significantly lower than production costs of almost all mines in the world, there are limited spaces for international uranium prices to further decrease, the natural uranium prices will remain stable at low level.

In respect of operation, the Company will continue to strengthen the operation management of Semizbay-U Limited Liability Partnership, to maintain the stable production volume and cost, so as to ensure the achievement of the investment income target. In respect of natural uranium trading, good market opportunities will be fully utilized to lower the cost of purchase of natural uranium, and increase earnings of the Company, to ensure the operation target of the year can be achieved. The Company will actively promote the

exploration work of Patterson Lake South project of Fission Uranium Corp. to further enhance the resources of the project and explore the resources potential of the project. At the same time, the Company will continue to promote and implement the cooperation of the new uranium project with Kazakhstan cooperation partners, and will continue to follow-up merger opportunities of project with good quality, which lay a foundation for the Company to gain advantage in the next uranium price cycle.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

(i) *Interest in Shares*

As at the Latest Practicable Date, there were no interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

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

(ii) *Other interests*

As at the Latest Practicable Date,

- (i) none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statement of the Group was made up;

- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group taken as a whole; and
- (iii) save as disclosed in this circular, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or had any other conflict of interest with the Company.

(b) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10 per cent (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Long positions in Shares

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of the total issued Share capital of the Company
China Uranium Development (<i>Note 1</i>)	Beneficial owner	4,323,695,652	72.77
CGNPC-URC (<i>Note 2</i>)	Interest in a controlled corporation	4,323,695,652	72.77
CGNPC (<i>Note 3</i>)	Interest in a controlled corporation	4,323,695,652	72.77
Hong Kong Xinmao Investment Co., Limited (<i>Note 4</i>)	Beneficial owner	659,400,000	11.10
Hainan Mining Co., Ltd. (<i>Note 4</i>)	Interest in a controlled corporation	659,400,000	11.10
Shanghai Fosun Industrial Investment Co., Ltd. (<i>Note 4</i>)	Interest in a controlled corporation	659,400,000	11.10

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of the total issued Share capital of the Company
Shanghai Fosun High Technology (Group) Co., Ltd. (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Fosun International Limited (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Fosun Holdings Limited (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Fosun International Holdings Ltd. (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Guo Guangchang (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Hainan Provincial Government-owned Assets Supervision and Administration (Note 4)	Interest in a controlled corporation	659,400,000	11.10
Hai Nan Hai Gang Group Limited (Note 4)	Interest in a controlled corporation	659,400,000	11.10

Notes:

- The long position represents (i) the 4,278,695,652 shares of the Company held by China Uranium Development, and (ii) the 45,000,000 outstanding charged shares (pursuant to the share charge dated 1 April 2011, Perfect Develop Inc. (established by the directors of the preceding controlling shareholders of the Company) charged 450,000,000 shares in favor of China Uranium Development among which, 225,000,000 and 180,000,000 charged shares were released on 18 February 2014 and 31 May 2016, respectively. The remaining 45,000,000 charged shares will continue to be charged in favour of China Uranium Development).
- CGNPC-URC holds 100% of the issued share capital of China Uranium Development. Therefore, it is deemed to be interested in 4,278,695,652 shares of the Company held by China Uranium Development.
- CGNPC holds 100% of the equity interests of CGNPC-URC. Therefore, it is deemed to be interested in the interest held by CGNPC-URC.
- On 8 November 2016, the Company entered into an agreement with Hong Kong Xinmao Investment Co., Limited as subscriber, pursuant to which Hong Kong Xinmao Investment Co., Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 659,400,000 Shares at the subscription price of HK\$0.52 per Share, subject to the conditions as mentioned in the announcement of the Company dated 9 November 2016 (the "Announcement"). Please refer to the Announcement for more details.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015 (the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. LITIGATION

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of Group which will not expire or is not determinable by the Company within one (1) year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

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

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2015, the date to which the latest audited consolidated financial statements of the Company were published, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to

any member of the Group nor had any shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

9. MISCELLANEOUS

- (a) The joint secretaries of the Company are Zheng Xiaowei and Lai Siu Kuen.
- (b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the principal place of business in Hong Kong is Room 1903, 19/F., China Resources Building, No. 26 Harbour Road, Wancha, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

10. MATERIAL CONTRACTS

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

- (a) the agreement for the issuance and subscription of the 96,736,540 common shares of Fission Uranium Corp. issued by way of a private placement at a price of CDN\$0.85 per share entered into between the Company (as subscriber) and Fission Uranium Corp. (as issuer) on 11 January 2016;
- (b) the sale and purchase agreement dated 25 March 2015 entered into between the Company and Bright Future Pharmaceutical Holdings Limited in relation to the disposal of entire interest in Yugofoil Holdings Limited; and

- (c) the agreement dated 8 November 2016 entered into between the Company and Hong Kong Xinmao Investment Co., Limited (香港鑫茂投資有限公司) as subscriber, pursuant to which the Company has conditionally agreed to allot and issue and the subscriber has conditionally agreed to subscribe for 659,400,000 Shares in accordance with the terms and conditions set out therein.

11. DOCUMENTS FOR INSPECTION

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

- (1) the New Sales Framework Agreement;
- (2) the New Financial Service Framework Agreement;
- (3) the letter of advice from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;
- (4) the letter from Gram Capital, the text of which is set out on pages 25 to 45 of this circular;
- (5) the consent letter from Gram Capital referred to in the paragraph headed “Expert and Consent” in this appendix;
- (6) the material contracts of the Company set out in the sub-paragraph headed “Material Contracts” in this appendix;
- (7) the memorandum and articles of association of the Company;
- (8) this circular;
- (9) the annual reports of the Company for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015; and
- (10) the interim report of the Company for the six months ended 30 June 2016.

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of CGN Mining Company Limited (the “Company”) will be held at Boardroom 3 – 4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 December 2016 (Thursday) at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the framework agreement dated 6 December 2016 (the “**New Sales Framework Agreement**”) entered into between the Company and 中廣核鈾業發展有限公司 (CGNPC Uranium Resources Co., Ltd*), a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purposes of identification, and the terms and conditions thereof and the transaction contemplated thereunder (including its proposed annual cap amounts) be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors be authorised for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the New Sales Framework Agreement and to waive compliance with or make and agree such variations of a non-material nature to any of the terms of the New Sales Framework Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company and all the director’s acts as aforesaid be hereby approved, ratified and confirmed.”

2. “**THAT**

- (a) the framework agreement dated 6 December 2016 (the “**New Financial Service Framework Agreement**”) entered into between the Company and CGNPC Huasheng Investment Limited, a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purposes of identification, and the terms and conditions thereof and the transaction contemplated thereunder (including its proposed annual cap amounts) be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors be authorised for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds,

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the New Financial Service Framework Agreement and to waive compliance with or make and agree such variations of a non-material nature to any of the terms of the New Financial Service Framework Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company and all the director's acts as aforesaid be hereby approved, ratified and confirmed."

By Order of the Board of
CGN Mining Company Limited
Mr. Yu Zhiping
Chief Executive Officer

Hong Kong, 9 December 2016

Registered office:

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

*Principal place of business
in Hong Kong:*

Room 1903, 19/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Notes:

- (1) In order to qualify for attending the EGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:30 p.m. on 28 December 2016.
- (2) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, in the event of a poll, to vote in his place. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority) must be deposited at the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 48 hours before the appointed time for holding the meeting or any adjourned meeting.
- (4) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the Board comprises two executive Directors: Mr. Yu Zhiping (chief executive officer) and Mr. Xing Jianhua; three non-executive Directors: Mr. Zhou Zhenxing (chairman), Mr. Fang Chunfa and Mr. Wu Junfeng; and three independent non-executive Directors: Mr. Qiu Xianhong, Mr. Gao Pei Ji and Mr. Lee Kwok Tung Louis.