

Issuer: CNMC Goldmine Holdings Limited
Security: CNMC Goldmine Holdings Limited

Meeting details:

Date: 27 April 2018

Time: 3.00 p.m.

Venue: 745 Lorong 5 Toa Payoh, #04-01 The Actuary, Singapore 319455

Company Description

CNMC Goldmine Holdings Limited, an investment holding company, engages in the exploration, development, mining, production, and marketing of gold in Malaysia. It also explores for silver, lead, zinc, and base metals deposits. The company primarily focuses on the Sokor Gold Field project, which covers an area of approximately 10 square kilometers located in the Ulu Sokor, Kelantan. It also processes mined ore into gold dores; and provides drilling services. CNMC Goldmine Holdings Limited was founded in 2006 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5TP)

Q1. As noted in the “Operations and Financial Review”, following the extension of the mining lease for the Sokor project from the Kelantan Government, the group focused on the construction of its third processing facility. The Carbon-in-Leach (CIL) plant was completed within 6 months at a cost of RM25/US\$6 million. The facility was completed on 6 November 2017, with trials already on-going.

- a) **With the first gold pour made in the first week of April, when can the new CIL plant go into full production?**
- b) **As the company has disclosed that “Sokor Project’s higher-grade ore [...] had been stockpiled during the year”, does it mean that the production cost in 2018 will be substantially lower? What is the expected reduction in production cost based on the design of the newly built CIL plant and the use of the higher-grade ore that has been stockpiled?**
- c) **Can management further explain how it had built the new plant in a third of the time and at half the cost of “industry norms”? Has the company sacrificed durability, safety or yield?**
- d) **With the Pioneer Status Incentive granted by Malaysian Investment Development Authority expiring on 30 June 2018, what will be the impact on the group’s profits and cash flow once the Sokor gold field project’s 100% income tax exemption on statutory income is removed?**

Q2. During the December 2017 board meeting, the directors agreed that the company would undertake a dual primary listing exercise in the Hong Kong Stock Exchange as the board believes that the proposed listing will increase market visibility of the company and potentially widening its investor base and enabling the company to benefit from exposure to a wider range of private and institutional investors.

- a) **Has the company estimated the total costs of the proposed secondary listing?**
- b) **Although the proposed listing may increase market access, how does the board intend to position and market the group to HKEx investors since the group only has operations in Malaysia?**
- c) **Should the board successfully list on the HKEx, would the listing requirements of two exchanges be prohibitively high for a small company?**
- d) **How does management ensure that core mining operations will not be disrupted or affected as management works towards the dual listing?**

Q3. As disclosed in the Corporate Governance Report, the remuneration of executive directors and key management personnel structured to link rewards to corporate and individual performance. It added that (page 77):

*The remuneration for the Company’s Executive Directors and key management personnel comprises a basic salary component and a variable component which is a discretionary bonus, based on the performance of the Group as a whole and their individual performances. **There are no pre-determined performance conditions for the discretionary bonus.** [emphasis added] The discretionary bonus for the Executive Directors and key management personnel will be recommended by the RC and subject to approval by the Board, which is based on qualitative criteria (including leadership, people development, commitment, teamwork, current market and industry practices) and quantitative criteria (including production, profit after tax and relative financial performance of the Group to its industry peers).*

- a) **Would the remuneration committee (RC) explain what it means by “there are no pre-determined performance conditions”? Does the RC consider setting KPI targets effective in motivating and aligning staff and key management to the group’s goals?**

The remuneration for the Company's Executive Directors and key management personnel comprises a basic salary component and a variable component which is a discretionary bonus, based on the performance of the Group as a whole and their individual performances. There are no pre-determined performance conditions for the discretionary bonus. The discretionary bonus for the Executive Directors and key management personnel will be recommended by the RC and subject to approval by the Board, which is based on qualitative criteria (including leadership, people development, commitment, teamwork, current market and industry practices) and quantitative criteria (including production, profit after tax and relative financial performance of the Group to its industry peers). The RC had reviewed the proposal and is satisfied that the performance conditions were met in FY2016.

(Source: Company annual report 2016)

As seen from the extract above, in the 2016 annual report, the RC has specifically stated that “discretionary bonus for the Executive Directors and key management personnel will be recommended by the RC”. However, it also said that it reviewed the proposal and was satisfied that the performance conditions were met in FY2016.

- b) **Can the RC clarify if it had proposed or reviewed the discretionary bonus? If it only reviewed the proposal, then who was the proposer for the discretionary bonus?**

In the 2017 annual report, the RC had not stated that it is “satisfied that the performance conditions were met”.

- c) **Can the RC elaborate further on the performance conditions used for the financial year ended 31 December 2017? Is the RC satisfied that the performance conditions were met?**