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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: China Mining International Limited

Security: China Mining International Limited

Meeting details:

Date: 22 April 2019

Time: 3.00 p.m.

Venue: Furama RiverFront Hotel, Jupiter I, Level 3, 405 Havelock Road, Singapore 169633

Company Description

China Mining International Limited, an investment holding company, develops and sells commercial and residential properties in the People's Republic of China. The company also leases commercial properties; and provides property management, real estate information consultation, and real estate marketing planning services. In addition, it invests in mining business; and offers mining consultancy services. The company was formerly known as Sunshine Holdings Limited and changed its name to China Mining International Limited in March 2012. China Mining International Limited was founded in 1999 and is based in Zhengzhou, the People's Republic of China.

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

1. As noted in the Chairman's message, 2018 was an important year for the group as it terminated all negotiations of the reverse-takeover transaction that was first announced by the company in July 2013. It was also stated that, other than the existing interests in mines, it will no longer undertake any business activities related to the exploration, mining and trading (including mining consultancy) of mineral resources.

In addition, the company has entered into and terminated a Sale and Purchase Agreement (SPA) with the chairman for an agricultural (pomegranate) business.

The group has ventured/tried to venture into agricultural investments, passive minority investment into mines in South Africa, and the proposed RTO which involves a tantalum-niobium mine in Nigeria, a tin-copper mine in Tajikistan, an iron ore and manganese mine in South Australia and two iron ore mines in Xinjiang, the PRC valued at more than \$1 billion.

- (i) For the benefit of new and long standing shareholders, would the board provide a holistic overview of the group's growth strategies?**
- (ii) When was the decision to stop all investments into mining/mineral-related businesses made? How did management/board come to that conclusion?**
- (iii) What are the core competencies of the group and of the management team? Can the board explain how the group can generate and capture long term sustainable value for its shareholders? What are the key value drivers for the group?**
- (iv) Would the group be carrying out a strategic review before it embarks on any other proposed transactions?**
- (v) Going forward, does the group have a formal and structured deal sourcing and deal structuring framework? Has the company consider leveraging professional bankers and consultants who might have the network to source appropriate investment opportunities for the group?**
- (vi) What is the experience and track record of the board in deal structuring, given that the company spent about 6 years on the proposed RTO that was ultimately unsuccessful?**

2. Would the board/management provide shareholders with better clarity on the following operational, financial and governance matters? Specifically:

- (i) Property development: Would the board provide shareholders with an update on the Xinxiang Sunny Town Project? How many townhouse and commercial units remain unsold? Does the group have any additional landbank for its real estate business? What are the competitive strengths of the group in property development?**

Sino-Africa: In accordance with the shareholders' agreement dated on 30 April 2017 entered between the company and other shareholders, the company is not entitled to have any board representation nor does the constitution allow the company to appoint a director in a general meeting. **How does management ensure that its interests are protected given the minority stake with no board representation? What is the rationale for investing in the iron ore mine located in Thabazimbi district, Limpopo Province, South Africa?**

In addition, what is the development timeline for the Thabazimbi mine?

- (ii) Chinese mines: What is the state of the two Chinese mines owned by the group? Is additional capital expenditure required to start the mining operations? How cost efficient are these mines?**
- (iii) Valuation of Sino Feng Mining S.à.r.l.:** At initial adoption of International Financial Reporting Standards (IFRS 9), the company reclassified the investment in Sino Feng as unquoted equity investment as financial asset at fair value through Other Comprehensive Income (FVOCI). The carrying amount of the unquoted equity investment of RMB 78,108,000, at fair value (2017: RMB 70,431,000, at cost) as at 31 December 2018, represented 49% (2017: 36%) of total assets. The "Valuation of the investment in the equity interest in Sino Feng" is a key audit matter highlighted by the independent auditor in their Report on the Audit of the Financial Statements (page 42). **How was the independent valuer, AP Appraisal Limited, selected? What is the credential of the independent valuer? Given that the valuation process involved significant judgement in estimating future cash flows, especially of the iron ore selling price, license renewal period, discount rate, capital expenditure, did the valuer provide the board with a sensitivity analysis of the valuation estimate, and if so, please disclose the valuation range? Would the board consider engaging an international valuer to provide a second valuation opinion?**
- (iv) IPT:** On 11 March 2019, the company announced the termination of the proposed share transfer agreement dated 18 July 2018 that constitutes an interested person transaction and a major transaction. The target group is engaged mainly in the business of cultivation of soft seed pomegranate in Henan Province, the PRC. The seller is the executive chairman of the board and the company, and a substantial shareholder of the company. **What roles did the independent directors play in the negotiation of the proposed acquisition of the agriculture business? Does the board have a robust framework and system to address any potential conflict of interests?**

3. In the Corporate governance report, under Principle 13: Internal audit, the company disclosed the following practice:

The Group did not engage any internal auditors for the financial year ended 31 December 2018. The Group's accounts department handles the internal audit function to review the internal controls, risk management and compliance systems of the Group

and reports findings and makes recommendations directly to the Chairman of the AC on all internal audit matters and on administrative matters to the CEO.

The Company will outsource its internal audit function to an external consultancy firm as and when needed.

With the Group's pending acquisition for a new business still in progress and having regard to the scope and nature of the Company's current operations, the AC and the Board are of the opinion that the current system of internal controls in place is adequate to mitigate normal operational risks.

Principle 13 of the 2012 Code of Corporate Governance states that the company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

- (i) Would the audit committee help shareholders understand if the practice of having the group's accounts department to review the internal controls, risk management and compliance systems is in compliance with the code?**
- (ii) Under what situation will the audit committee recommend that the company outsource its internal audit function to an external consultancy firm?**
- (iii) As the company is sourcing for new businesses, would the audit committee think that it is prudent to have the internal audit function in place before acquisitions are made?**